



# LAKE HAVASU CITY, ARIZONA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2010



Lake Havasu City, Arizona  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2010

**CITY COUNCIL**

**Mark S. Nexsen**  
Mayor

**Don Callahan**  
Vice Mayor

**Lee Barnes**  
Councilmember

**Margaret Nyberg**  
Councilmember



**Dean Barlow**  
Councilmember

**David McAtlin**  
Councilmember

**Brian Wedemeyer**  
Councilmember

**CITY STAFF**

**Charlie Cassens**  
City Manager

*Finance Department staff responsible for CAFR presentation*

**Valerie Fenske, CPA**  
Finance Director

**Sharon Lawrence**  
Accounting Manager

**LAKE HAVASU CITY**

[www.lhcaz.gov](http://www.lhcaz.gov)

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**LAKE HAVASU CITY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010  
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## **INTRODUCTORY SECTION**



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## LAKE HAVASU CITY

November 24, 2010

*To the Honorable Mayor, Members of the Governing Council, City Manager, and Citizens of Lake Havasu City, Arizona:*

We are pleased to submit the 2010 Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona (City). This report is submitted in accordance with Arizona Revised Statutes, Section 9-481, which requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Heinfeld, Meech & Co., P.C., Certified Public Accountants, has issued an unqualified ("clean") opinion on Lake Havasu City's financial statements for the year ended June 30, 2010. The independent auditors' report is located at the front of the financial section of this report. The City's independent auditors also perform the Single Audit of the City's federal grant programs. The Single Audit Reporting Package is issued separately from this financial report and is available on request.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### ***Lake Havasu City Profile***

**History** – Lake Havasu was created with the construction of Parker Dam in the 1930's. Until the dam systems were built, what is now Lake Havasu was a remote section of the Colorado River. In 1963, on the courthouse steps of Kingman, Arizona, Robert P. McCulloch purchased a 26 square mile parcel of barren desert that would become the site for Lake Havasu City. At the time it was the largest single tract of state land ever sold in Arizona, and the cost per acre was under \$75.

Lake Havasu City was founded as a master-planned community with an emphasis on recreation and residential retirement. It was the purchase of the London Bridge, in 1968, which gave worldwide exposure to Lake Havasu City. The bridge structure was dismantled brick by brick in London, transported to Lake Havasu City, and authentically reconstructed over a three-year period. In addition, a mile-long bridge channel was dredged, giving purpose to the transplanted landmark.

In 1963 Lake Havasu City did not qualify for incorporation under state law and so it became a recognized Irrigation and Drainage District (IDD). The IDD's Board of Directors acted as city councilmen in order to run the city. In the early seventies they took steps toward incorporation by instigating a feasibility study. Near the end of the decade, incorporation was made possible with a new state law that enabled a new municipality to organize as a city and to assume trusteeships of bonded debts and a sanitary district. The City was incorporated in 1978 by a vote of the residents and is located in the western part of Arizona on the Colorado River in Mohave County.

**Current Profile** - Lake Havasu City currently encompasses approximately 43 square miles and serves a population of approximately 55,502. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

**Government and Organization** - Lake Havasu City has operated under the council-manager form of government since 1978. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members. The Mayor and Council Members are elected at-large for four-year terms. Their terms are staggered on a two-year basis.

The Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City provides a full range of services, including police and fire protection, airport, water and sewer services, construction and maintenance of streets, recreational and cultural events, transit services, planning and zoning services, housing rehabilitation, and general administrative services. Lake Havasu City offers a full range of community facilities including a community center, aquatic complex, and fifteen City-owned parks.

The City contracts for jail services, animal control, tourism development, social service functions, economic development, and sanitation services, including waste collection, recycling pickup and landfill operations.

**Budgetary Controls** – By State Statute the Council is required to adopt a tentative budget on or before the third Monday in July of each fiscal year. Once the tentative budget has been adopted, the expenditures may not be increased upon final adoption, only decreased. The formal adoption of Lake Havasu City's final budget usually occurs at the last Council meeting in June.

The City maintains budgeted controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon issuance of a purchase order.

## ***Local Economy***

Lake Havasu City's economy is based primarily in tourism and hospitality, government, marine industry and retirement sector, although efforts are in place to further diversify the local economy. The City has benefited in the past from steady growth in these areas but has realized a decline beginning in fiscal year 2006-07 that has continued throughout fiscal year 2009-10, mirroring the national and state economic downturn. Construction and retail have exhibited the heaviest downturn and have impacted the City's related sales tax revenues. The City is faced with balancing the declining revenue sources with many critical growth issues, but its citizens and municipal government are committed to finding solutions for the future.

The City's Strategic Plan for Economic Development outlines strategies for economic diversification to create a more stable economic base. The plan calls for a balanced development of retail, commercial, manufacturing, restaurant, lodging, and entertainment. The City continues to be a desirable location for work, destination, and living due to the affordable housing market, continuing low mortgage interest rates and the potential for growth. Recruitment efforts continue for commercial enterprises to complement the existing industry, with focus on growing the tenant base of the regional mall, expanding the marine industry, light manufacturing and resort opportunities.

The City recognizes that the protection and acquisition of public shoreline access, preservation of sensitive lands, renovation of the London Bridge, building the Freedom Bridge (the second bridge to the Island), development of the Bridgewater Channel, development of a mainland marina and golf course, four-year university and revitalization of downtown Mainstreet are critical to the economic well-being of the community. In response to these needs the City revised the General Plan Update and Future Land Use Plan in September 2008 to include regional development plans as identified by the Regional/Urban Design Assistance Team (R/UDAT) for establishing special purpose zoning districts to revitalize the City.

### Tourism

Lake Havasu City continues to enjoy seasonal influxes of residents from throughout the United States and Canada, especially during the winter months. The London Bridge, which is one of the largest tourist attractions in Arizona, continues to draw visitors from around the world. Focus on future development of the Bridgewater Channel, which is adjacent to the bridge, and resort development on the Island is a priority for the City for continuous, steady tourism revenue.

### Construction

Housing (single-family, two-family, and multi-family) construction has increased slightly during the year. Issuance of single-family housing permits increased 71% over the previous year's total of 51 to a total of 87 in fiscal year 2009-10. Since fiscal year 2005-06, single-family housing permits have averaged 258 per year. The increase in the total number of permits issued has created an increase in estimated building valuation from \$11,433,713 in 2008-09 to \$15,198,799 in 2009-10, representing a 33% increase.

New commercial building permits decreased 44% from the previous year with 5 commercial building permits in fiscal year 2009-10 as compared to 9 permits in fiscal year 2008-09. Actual permits decreased significantly; however, the average commercial permit in fiscal year 2009-10 increased. In fiscal year 2009-10 the average commercial permit was valued at \$818,691 representing an increase of 73% over the previous year's estimated average valuation of \$473,518. Commercial addition permits decreased 37% in fiscal year 2009-10, with 78 permits compared to the previous fiscal year's permits of 123. Commercial addition valuations in fiscal year 2009-10 averaged \$38,481, a decrease of 21% when compared to the fiscal year 2008-09 average valuation of \$48,760. Overall the trending follows the state and national economic conditions

related to the construction industry, which should start a gradual recovery as the recession comes to an end and the need to accommodate the increasing population continues.

While the City's growth rate up until fiscal year 2005-06 had been significant, it has slowed due to the shake up of the mortgage industry and the excess supply of existing housing. The projected build-out population figure for the City is estimated at 96,000. Potential constraints to achieving the population build-out figure include water availability, transfer of land from public to private use, and infrastructure.

The significant developments currently underway or scheduled to begin in fiscal year 2009-10 are:

#### Commercial:

- **Air Industrial Park** – This will be a three phase 84-acre industrial park located south of the airport. The property will be subdivided to allow for light industrial uses. The first phase of the industrial park is complete, including infrastructure, and the first tenant is scheduled to occupy one of the lots in the fall of 2011.
- **Refuge** – The property was recently approved for annexation into the City limits. The clubhouse expansion is currently underway and the RV Resort construction improvements are scheduled to begin within the next fiscal year.
- **Nautical Inn** – The Nautical Inn is in the zoning approval process to allow for the expansion of an additional 188 residential units, new pool area, reservation building, convention center and boat storage building.

#### Residential:

- **Sailing Hawks** - The Sailing Hawks Planned Development covers 56 acres of development. There are five phases to this mixed residential development, which will include recreation areas, a clubhouse, pool, spa and fitness center, shade structures, and a gated private drive. Phase I residential lots are 90% developed. Phase II has infrastructure in place, a community building and pool area completed with 5% residential completed. Phase III has infrastructure in place and lots available for sale.
- **Grand Island Estates** – This Island development is a planned subdivision of nine use areas as follows: 5.4 acres – commercial, 6.5 acres – casitas, 11.2 acres – resort, 23.4 acres – single family, 18.9 acres – townhouses, 15 acres – park parcel, 13.8 acres patio homes, 11.6 acres – dual homes for a total of 400 units. Residential element is approximately 3% completed.

#### Employment and Job Growth

Lake Havasu City's employment currently relies heavily on the construction and tourism sector. The City's labor force is reflecting an improvement with an unemployment rate of 8.1%, as reported by Arizona Department of Economic Security. This rate decreased when compared to last year's rate in June 2009 of 9.8%. The City's unemployment rate is currently lower than the state and the national average due to a slight increase in retail and construction over the prior fiscal year. The state's employment and job growth are reflecting recessionary levels as experienced nationally. In June 2010, the state's unemployment rate was 9.8%, up from 8.9% from the prior year. The national unemployment average in June 2010 was 9.5%.

Lake Havasu City had no new major employers recruited to the area during fiscal year 2009-10. The average annual salary is \$21,494. The City is looking forward to attracting new employers in the service, retail, and manufacturing industries. The regional mall is expected to continue to provide new positions for the area.

## ***Long-term Financial Planning***

The City responds to changing economic challenges with careful long-range planning for fiscally healthy conditions. With conservatism in mind, the budget is prepared with maximization of operating efficiencies. The financial position of the City at the close of fiscal year 2009-10 reflected higher than expected reserves. The City took drastic measures in fiscal year 2008-09 by making major cuts in operating expenditures, some of which included: non-essential operating expenditure cutbacks, 5% reduction of all salaries; reduction in workforce; elimination of vacant positions; and other various reductions to employee benefits. This budget strategy continued in fiscal year 2009-10, which helped to maintain an acceptable level of reserves at year end. In addition, the City used zero-based budgeting to develop the fiscal year 2010-11 budget and went through an extensive analysis and revision to the City's fee schedules. These changes should allow the City to weather the difficult economic climate without sacrificing services provided to the citizens of Lake Havasu City (streets, water, sewer, sanitation, police, fire, parks and recreation and public transit).

In order to provide flexibility to respond to unanticipated revenue decreases or unexpected expenditures, the City maintains a "Contingency Fund" of 5% of the average actual fund revenues for the preceding five fiscal years in the General Fund, Irrigation & Drainage District Fund (operating and maintenance only), Wastewater Fund (operating and maintenance only) and the Highway Users Revenue Fund. The City also has a policy to maintain a 5% fund balance in these funds. The City's Fiscal Sustainability Policy, approved in August 2007, requires maintaining a fund balance reserve of 10% in the General Fund. It is management's desire to increase that reserve to approximately 12% to 15% in the event of a major reduction in tourism, sales tax revenue, or state shared revenue and to ensure utility rate stabilization. The current recessionary climate precludes the City from achieving this goal in the near future.

The City is shifting from a "pay as you go" philosophy for capital infrastructure to increase reserves and to stay in compliance with the State's expenditure limits by researching the best financing options for required infrastructure. In fiscal year 2006-07 the City implemented impact fees for acquisition and construction of a second bridge to the Island and in 2007-08 Council approved implementation of impact fees for future infrastructure and equipment needs of police, fire, parks, transportation, and general administration that went into effect beginning in fiscal year 2008-09. These impact fees will be designated for infrastructure and equipment costs only, not operating costs.

## ***Major Initiatives***

During fiscal year 2009-10 the City moved into program year eight of the \$463 million sewer expansion project, which voters approved in November 2001. The project calls for expanding the existing collection system by contracting and installing 390 miles of gravity sewer lines, 400 miles of gravity sewer laterals, 9,700 sewer manholes, 17 miles of sewer force main, 75 pumping stations, decommissioning over 24,000 individual onsite septic systems (90% of the residential units), building a new treatment plant with a capacity of 14 million gallons per day, upgrading two existing treatment plants to treat an additional 1.1 million gallons per day or 4.7 million gallons per day total, and developing reuse/disposal facilities.

The construction project, which began in October 2002, should be completed by the end of fiscal year 2011-12 and is being financed by voter-approved borrowing authority. The project is funded from a combination of financing secured through the Water Infrastructure Financing Authority (WIFA) of Arizona and Greater Arizona Development Authority (GADA). The debt service periods



range from twenty to thirty years to keep debt payments level and is currently funded through user rate charges. The City applied for federal assistance for the project and received \$1.4 million toward the project in fiscal year 2007-08. The City also received \$2 million of forgivable American Recovery and Reinvestment Act (ARRA) awards through WIFA for the project.

The City partners with the Colorado River Regional Sewer Coalition (CRRSCo) to bring legislators aware of the financial burden of protecting and enhancing the Colorado River through the improvement of wastewater management practices to ensure high quality water for all users. This effort has proven to be valuable in generating awareness and funding assistance for the City's wastewater expansion program.

During fiscal year 2009-10 the City completed approximately 3,244 new connections to sewer, bringing the total new connections to 17,662 at the end of fiscal year 2009-10.

The City was in the research and development stages of other major projects during 2009-10. These projects are the Freedom Bridge and Park and Havasu 280 - a planned development to include a four-year university and a performing arts and cultural center.

### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lake Havasu City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for twenty-three years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for award consideration.

In order to maintain its commitment to financial excellence, the City also received the GFOA's Distinguished Budget Presentation Award for the fiscal year 2009-10 annual budget.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the competent service of our independent auditors. Credit also must be given to the Mayor and governing Council for their interest and support in planning and conducting the financial affairs of Lake Havasu City in a responsible and professional manner. For those involved, we express our sincerest appreciation.

Respectfully submitted,



Valerie H. Fenske, CPA  
Finance Director

Sharon Lawrence  
Accounting Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Havasu City  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

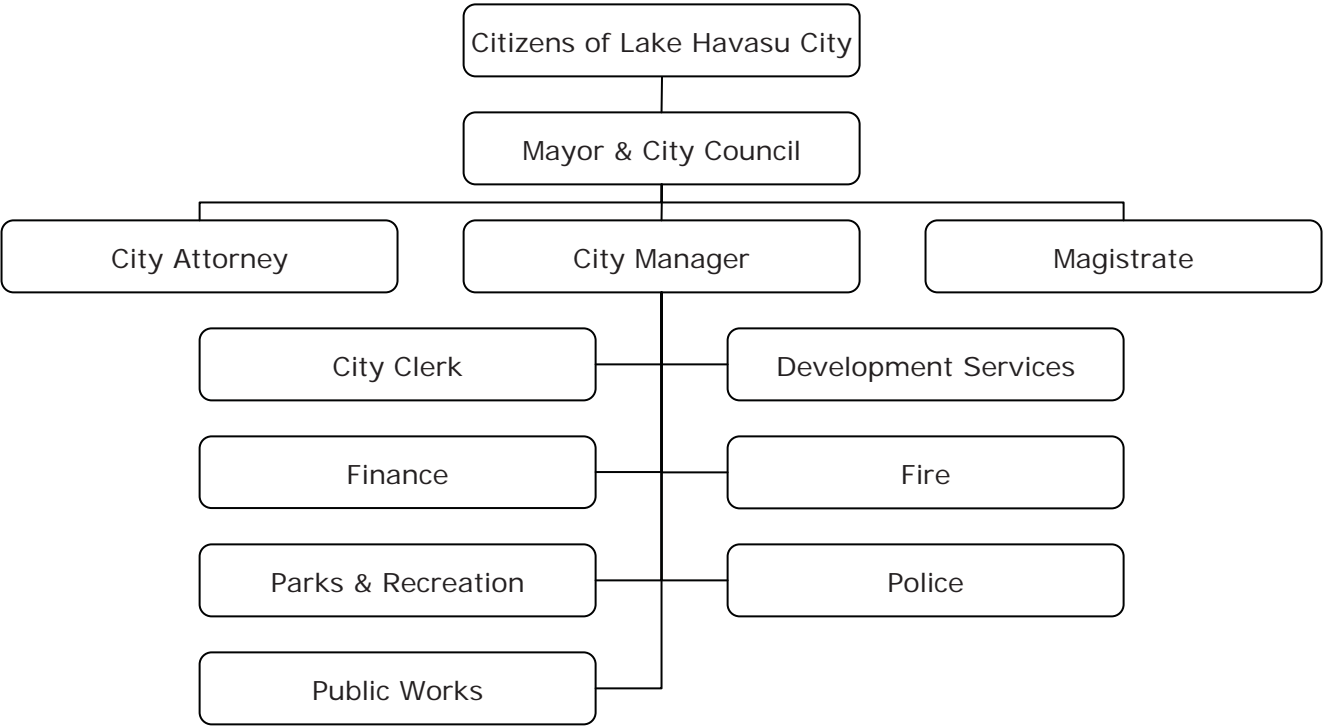
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**ORGANIZATIONAL CHART**



**MANAGEMENT STAFF**

Charlie Cassens, City Manager

**DEPARTMENT DIRECTORS**

Clyde Andress, Magistrate

W. Mark Clark, Public Works Director

Larry Didion, Development Services Director

Dan Doyle, Police Chief

Valerie Fenske, Finance Director

Paul Lenkowsky, City Attorney

Dennis Mueller, Fire Chief

Carla Simendich, City Clerk

Bart Wagner, Parks & Recreation Director

## MAYOR & CITY COUNCIL



**Mark S. Nexsen**  
**Mayor**

Term Expires 11/2010



**Don Callahan**  
**Vice Mayor**  
Term Expires 11/2012



**Dean Barlow**  
**Councilmember**  
Term Expires 11/2012



**Lee Barnes**  
**Councilmember**  
Term Expires 11/2012



**David McAtlin**  
**Councilmember**  
Term Expires 11/2010



**Margaret Nyberg**  
**Councilmember**  
Term Expires 11/2010



**Brian Wedemeyer**  
**Councilmember**  
Term Expires 11/2010

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## **FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council  
Lake Havasu City, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and HURF Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, on our consideration of Lake Havasu City, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 34 and Public Safety Personnel Retirement Systems and Other Postemployment Benefit Schedules of Funding Progress on pages 78 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information such as the introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

November 24, 2010

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

As management of Lake Havasu City, Arizona (City), we offer this narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended June 30, 2010. This discussion and analysis is designed to be used in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 6 of this report as well as the financial statements beginning on page 36 and the accompanying notes to the basic financial statements.

**Financial Highlights**

- The City's total net assets increased by \$18.8 million (6.0 percent) in fiscal year 2009-10 and by \$10.8 million (3.6 percent) in fiscal year 2008-09.
- The assets of the City exceeded liabilities at the close of fiscal year 2009-10 by \$327.9 million (net assets). Governmental funds reflected \$118.1 million of net assets and \$209.8 million were in business-type activities. Of this amount, \$100.0 million is unrestricted net assets, (\$18.8 million in governmental funds, and \$81.2 million in business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25.1 million, an increase of \$6.0 million (31.5 percent) in comparison with the prior fiscal year. Of the fiscal year 2009-10 total fund balance, approximately \$24.5 million is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$12.0 million or 37.1 percent of total General Fund expenditures.
- The City's total debt increased by \$33.7 million (12.9 percent) in fiscal year 2009-10. This was due primarily to the issuance of \$41.8 million in new debt in the Wastewater Fund for the Sewer Expansion Project.
- The governmental activities program revenues decreased by \$2.6 million (14.8 percent) in fiscal year 2009-10. The decrease in 2009-10 was due to a decline in available capital grants and contributions.
- The business-type activities program revenues increased by \$6.4 million (18.5 percent) in fiscal year 2009-10, primarily due to a rate increase and expanding customer base in the wastewater utility.
- General Fund revenues exceeded expenditures by \$4.7 million, a positive variance of \$3.5 million from the final budget in fiscal year 2009-10.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**LAKE HAVASU CITY, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of The City include general government, public safety, highways and streets, culture and recreation, tourism and promotion and transportation services. The business-type activities of the City include water (Irrigation and Drainage District (IDD)), wastewater and trash (Refuse) utilities, the airport, and recreation/aquatic center. These activities are primarily supported through user charges and fees.

The government-wide financial statements include not only the City itself but also one type of separate legal entity in its report – Improvement Districts. Although legally separate, these “component units” are important because the City is financially accountable for them. A description of these units is available in Note 1 on page 51. Separate financial statements are not prepared for these component units.

The government-wide financial statements can be found on pages 36-37 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund (HURF), the Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other 9 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and HURF fund as part of the basic financial statements to demonstrate compliance with this budget. Budgetary comparisons for all other governmental funds are provided in the combining and individual fund statements and schedules.

The basic governmental fund financial statements can be found on pages 38-43 of this report.

***Proprietary funds.*** Proprietary Funds are generally used to account for services for which the City charges customers-either outside customers, internal units or departments of the City. The City maintains two different types of proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water (IDD), wastewater, trash (Refuse), airport, and recreation/aquatic center operations. Two of the City's enterprise funds, the IDD and Wastewater are considered major funds of the City. Individual fund data on the Refuse, Airport and Recreation/Aquatic Center funds is provided in the form of combining statements elsewhere in this report.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the Employee Benefit Trust (EBT) activities, the City's limited risk self-insurance program for employees and dependents. The City also uses an internal service fund to account for the vehicle and equipment replacement program. Because these services provided predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the Proprietary Fund financial statements.

The basic proprietary fund financial statements can be found on pages 44-47 of this report.



**LAKE HAVASU CITY, ARIZONA  
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***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. Due to their custodial nature, fiduciary funds do not have a measurement focus.

The basic fiduciary fund financial statements can be found on pages 48-49 of this report.

**Notes to the basic financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 51-75 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its public safety employees and the progress in funding other postemployment benefits for eligible city employees hired before July 1, 2004. Required supplementary information can be found on pages 78-80 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental and enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 84-108 of this report.

### **Government-wide Financial Analysis**

While this document contains information about the funds used by the City to provide services to our citizens, the Statement of Net Assets and the Statement of Activities serve to provide information on how the City, as a whole, did financially throughout the year.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$327.9 million at the close of fiscal year 2009-10 and \$309.2 million at the close of fiscal year 2008-09.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Lake Havasu City, Arizona  
Condensed Statement of Net Assets  
June 30, 2010 and 2009  
((In millions of dollars))**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2010	2009	2010	2009	2010	2009	
Current and Other Assets	\$ 39.1	\$ 33.8	\$ 97.0	\$ 86.1	\$ 136.1	\$ 119.9	13.5%
Capital Assets							
Non-depreciable	26.3	26.4	14.6	15.9	40.9	42.3	-3.3%
Depreciable (net)	64.8	69.0	399.5	356.3	464.3	425.3	9.2%
Total Assets	<u>130.2</u>	<u>129.2</u>	<u>511.1</u>	<u>458.3</u>	<u>641.3</u>	<u>587.5</u>	
Other Liabilities	4.4	4.3	12.8	17.2	17.2	21.5	-20.0%
Non-current Liabilities							
Due Within One Year	2.7	2.7	7.4	7.5	10.1	10.2	-1.0%
Due in More Than One Year	5.0	5.3	281.1	241.3	286.1	246.6	16.0%
Total Liabilities	<u>12.1</u>	<u>12.3</u>	<u>301.3</u>	<u>266.0</u>	<u>313.4</u>	<u>278.3</u>	
Net Assets:							
Invested in Capital Assets, Net of Related Debt	86.7	89.8	128.6	120.5	215.3	210.3	2.4%
Restricted	12.6	7.9	-	-	12.6	7.9	59.5%
Unrestricted	18.8	19.2	81.2	71.8	100.0	91.0	9.9%
Total Net Assets	<u>\$ 118.1</u>	<u>\$ 116.9</u>	<u>\$ 209.8</u>	<u>\$ 192.3</u>	<u>\$ 327.9</u>	<u>\$ 309.2</u>	

By far the largest portion of the City's net assets in fiscal year 2009-10 and fiscal year 2008-09, \$215.3 million (65.7 percent) and \$210.3 million (68.0 percent), respectively, reflects its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, in the amount of \$12.6 million (3.8 percent) in fiscal year 2009-10, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$100.0 million (30.5 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2008-09, \$7.9 million (2.6 percent) of the City's net assets were subject to external restrictions and \$91.0 million (29.4 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Analysis of Changes in Net Assets**

The City's total net assets increased by \$18.8 million (6.0 percent) in fiscal year 2009-10 and by \$10.8 (3.6 percent) million during fiscal year 2008-09. These increases are explained in the government and business-type activities discussion and are primarily a result of budget restrictions that resulted in lower than projected expenditures. These budget restrictions were implemented to offset the recognized decline in sales tax revenue and charges for services at the start of the economic downturn and were continued in fiscal year 2009-10.

**Lake Havasu City, Arizona  
Statement of Activities  
Fiscal Years Ended June 30, 2010 and June 30, 2009**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2010	2009	2010	2009	2010	2009	
<b>REVENUES</b>							
Program Revenues:							
Charges for Services	\$ 3,800	\$ 3,572	\$ 30,806	\$ 27,607	\$ 34,606	\$ 31,179	11.0%
Operating Grants and Contributions	7,656	7,093	25	46	7,681	7,139	7.6%
Capital Grants and Contributions	3,672	7,089	10,373	7,113	14,045	14,202	-1.1%
General Revenues:							
Property Taxes	5,106	4,876	3,237	2,134	8,343	7,010	19.0%
Business Taxes	13,979	15,367	-	-	13,979	15,367	-9.0%
Other Taxes and State Shared Revenues	15,174	16,992	-	-	15,174	16,992	-10.7%
Investment Earnings	253	468	201	715	454	1,183	-61.6%
Other	334	110	-	-	334	110	203.6%
Total Revenues	<u>49,974</u>	<u>55,567</u>	<u>44,642</u>	<u>37,615</u>	<u>94,616</u>	<u>93,182</u>	
<b>EXPENSES</b>							
General Government	11,523	11,588	-	-	11,523	11,588	-0.6%
Public Safety	22,049	24,101	-	-	22,049	24,101	-8.5%
Highways and Streets	5,425	7,212	-	-	5,425	7,212	-24.8%
Culture and Recreation	4,591	5,560	-	-	4,591	5,560	-17.4%
Tourism and Promotion	1,357	1,357	-	-	1,357	1,357	0.0%
Transportation	1,821	2,082	-	-	1,821	2,082	-12.5%
Interest on Long Term Debt	115	127	-	-	115	127	-9.4%
Refuse	-	-	1,081	822	1,081	822	31.5%
Recreation/Aquatic Center	-	-	1,079	1,239	1,079	1,239	-12.9%
Irrigation and Drainage	-	-	10,221	11,865	10,221	11,865	-13.9%
Wastewater	-	-	15,206	14,777	15,206	14,777	2.9%
Airport	-	-	1,391	1,638	1,391	1,638	-15.1%
Total Expenses	<u>46,881</u>	<u>52,027</u>	<u>28,978</u>	<u>30,341</u>	<u>75,859</u>	<u>82,368</u>	
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	3,093	3,540	15,664	7,274	18,757	10,814	73.5%
Transfers	(1,877)	(3,901)	1,877	3,901	-	-	
<b>CHANGE IN NET ASSETS</b>	<u>1,216</u>	<u>(361)</u>	<u>17,541</u>	<u>11,175</u>	<u>18,757</u>	<u>10,814</u>	
Net Assets - Beginning of Year	116,878	117,239	192,294	181,119	309,172	298,358	3.6%
Net Assets - End of Year	<u>\$ 118,094</u>	<u>\$ 116,878</u>	<u>\$ 209,835</u>	<u>\$ 192,294</u>	<u>\$ 327,929</u>	<u>\$ 309,172</u>	

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

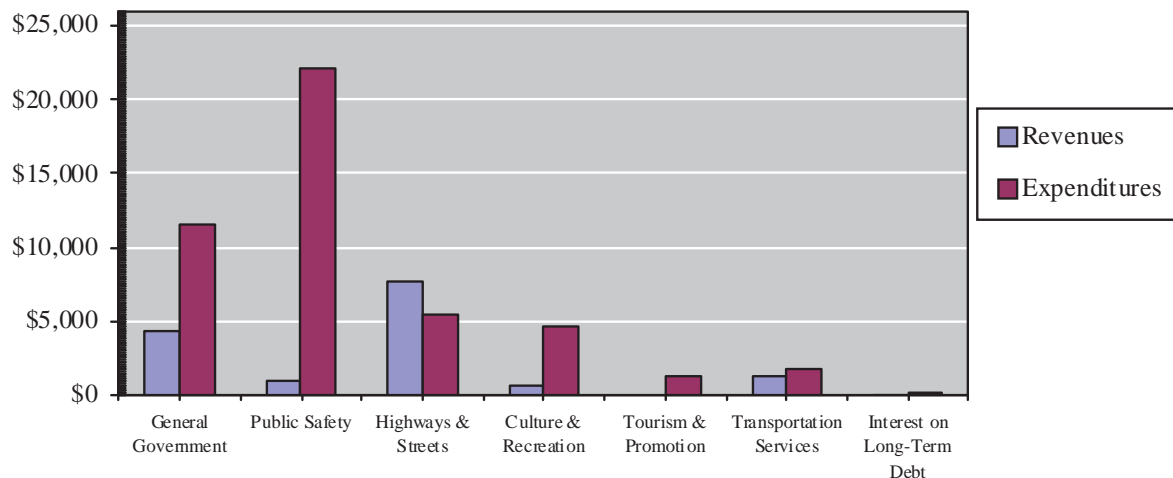
**Governmental activities.** Governmental activities increased the City's net assets by \$1.2 million (1.0 percent) in fiscal year 2009-10, as compared to the fiscal year 2008-09 decrease of \$361,391 (.31 percent of total growth). Key elements of this increase are as follows:

- Total expenses decreased \$5.1 million (9.9 percent) due to a combination of factors. Governmental expenses decreased across the board, a result of management's decision to continue implementation of budget restrictions due to declining revenues and economic forecast. The majority of the decreases in fiscal year 2009-10 were reflected in Public Safety (\$2.1 million, 8.5 percent), Highways and Streets (\$1.8 million, 24.8 percent, and Culture and Recreation (\$1.0 million, 17.4 percent). These budget reductions included reductions in workforce, salary freezes, postponement of vehicle rents to the replacement fund and other cost saving measures to minimize the change in net assets for the fiscal year. In fiscal year 2008-09 expenses reflected a decrease of \$1.9 million (3.4 percent) due to the aforementioned budget restrictions implemented mid-year in fiscal year 2008-09 which included a 5 percent salary reduction to City employees.
- Transfers out from the governmental funds to enterprise funds decreased in fiscal year 2009-10 by \$2.0 million, a decrease of 51.9 percent from fiscal year 2008-09. This decrease in transfers is due primarily to an increase in transfers from enterprise funds for general government capital projects (\$719,593), in addition to the elimination of the operating subsidy to Airport (\$298,000) and a reduction to the operating subsidy to Aquatic (\$215,500). The transfer from General Fund to Wastewater for the wastewater system expansion was also reduced by \$750,000 in fiscal year 2009-10. In fiscal year 2008-09, the operating transfers had increased \$4.5 million (795.1 percent) over the previous year due mainly to elimination of a transfer from enterprise funds for debt service in the amount of \$1.0 million and a decrease in enterprise contributions for capital projects in the amount of \$3.0 million.
- Capital grants and contributions decreased \$3.4 million (48.2 percent) in fiscal year 2009-10 due to the dedication of infrastructure in the amount of \$2.8 million from North Havasu Holdings, LLC, the mall developers, in fiscal year 2008-09. This was a special item for the fiscal year 2008-09. In fiscal year 2008-09 capital grants and contributions increased \$873,359 (14.0 percent). Although fiscal year 2008-09 reflected the special dedication of infrastructure, the increase overall was not significant due to another special dedication of property from Havasu Foothills Estates in fiscal year 2006-07 in the amount of \$12.4 million, also an unusual item.
- Business tax (sales tax) revenues decreased \$1.4 million (9.0 percent) in fiscal year 2009-10 due to sluggish construction and retail activity from the economic downturn. This economic condition continued from fiscal year 2008-09, which reflected a decrease of \$3.5 million (18.8 percent).
- Other taxes and state shared revenue decreased \$1.8 million (10.7 percent) during fiscal year 2009-10 and decreased \$28,980 (.1 percent) in fiscal year 2008-09. In fiscal year 2009-10, property taxes held steady but declining state shared sales and auto tax revenue from the economic recession factored into the decrease, as did the allocation adjustment for other state shared revenues. Fiscal year 2008-09 did not realize the same level of decline due to the timing of the state shared allocation determination and collection distribution.
- Operating grants and contributions increased \$563,300 (7.9 percent) in fiscal year 2009-10. Most of this increase was related to federal operating grants for public safety programs. The decrease in fiscal year 2008-09 was \$2.2 million, representing a 23.7 percent decrease from the prior year. This was due to one-time and special item grants and contributions recorded in fiscal year 2007-08.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

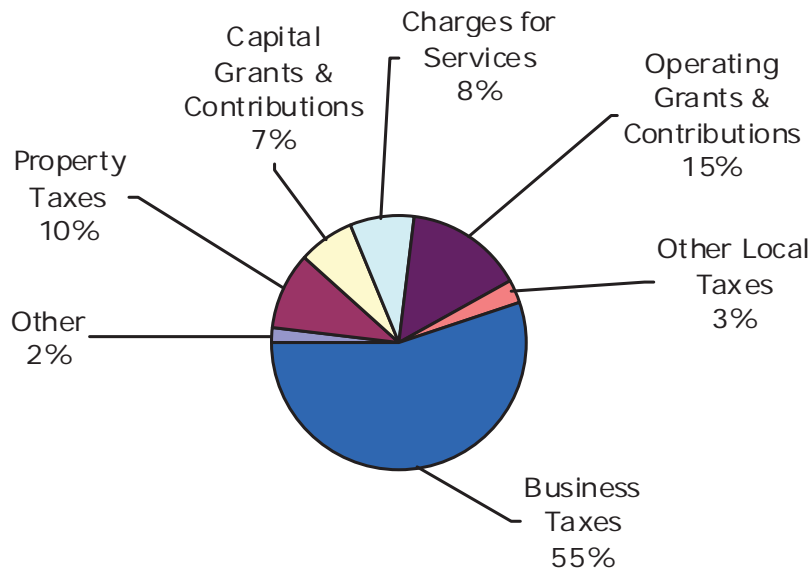
- Total governmental revenues decreased overall by \$5.6 million (10.1 percent) in fiscal year 2009-10. As mentioned earlier, this decline in overall revenue was from collection of less sales tax (\$1.4 million, 9 percent), reduction in other taxes and state shared revenue (\$1.8 million, 10.7 percent) and capital grants and contributions (\$3.4 million, 48.2 percent). While revenues declined in fiscal year 2009-10, expenses decreased with the restricted budget in the amount of \$5.1 million, along with a decrease in transfers out of \$2.0 million to offset this loss of revenue and still show a positive change to net assets. Total governmental revenues in fiscal year 2008-09 decreased overall by \$6.6 million (10.7 percent) while expenses decreased at a rate of 3.4 percent or \$1.9 million. This decrease in revenues in fiscal year 2008-09 was due to declining charges for services from the economic climate and a decline in operating grants and contributions.

**Lake Havasu City, Arizona  
Program Revenues and Expenses  
Governmental Activities  
Fiscal Year 2009-10  
(In thousands of dollars)**



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Lake Havasu City, Arizona  
Revenues by Source  
Governmental Activities  
Fiscal Year 2009-10**



**Business-type activities.** Business-type activities increased the City's net assets by \$17.5 million, accounting for 93.5 percent of the total growth in the government's net assets in fiscal year 2009-10. Key elements of the fiscal year 2009-10 increase are as follows:

- Charges for services for business-type activities increased \$3.2 million (11.6 percent) overall during the year. Refuse, Recreation/Aquatic, and IDD together realized only slight increases totaling \$286,114 (2.3 percent) over last year. However, Wastewater had an increase of \$2.3 million (16.0 percent) over last year. This increase is due to the increasing customer base and rate increases that became effective in April 2009 and April 2010. Airport realized an increase of \$590,826 (110.5 percent) over the prior year. This increase in fiscal year 2009-10 was realized due to an increase in rates, a result of a cost for services analysis performed during the year. In fiscal year 2008-09 charges for services increased \$401,356 (1.4 percent) overall for business-type activities. The declines in Refuse, Aquatic, IDD and Airport, totaling \$782,619 or 5.9 percent, were due to a slight drop in customer base and water conservation efforts (IDD). The increase to Wastewater in fiscal year 2008-09 of \$1.2 million was due to the growth in customer base in addition to an increase in sewer rates.
- Capital grants and contributions increased by \$3.3 million (45.9 percent) in fiscal year 2009-10. Much of this increase can be attributed to contributions in the form of treatment capacity fees for new connections to the sewer system in fiscal year 2009-10. Capital grants and contributions in IDD decreased \$1.0 million (70.0 percent) due to a one-time dedication of infrastructure in fiscal year 2008-09. Airport capital grants and contributions decreased



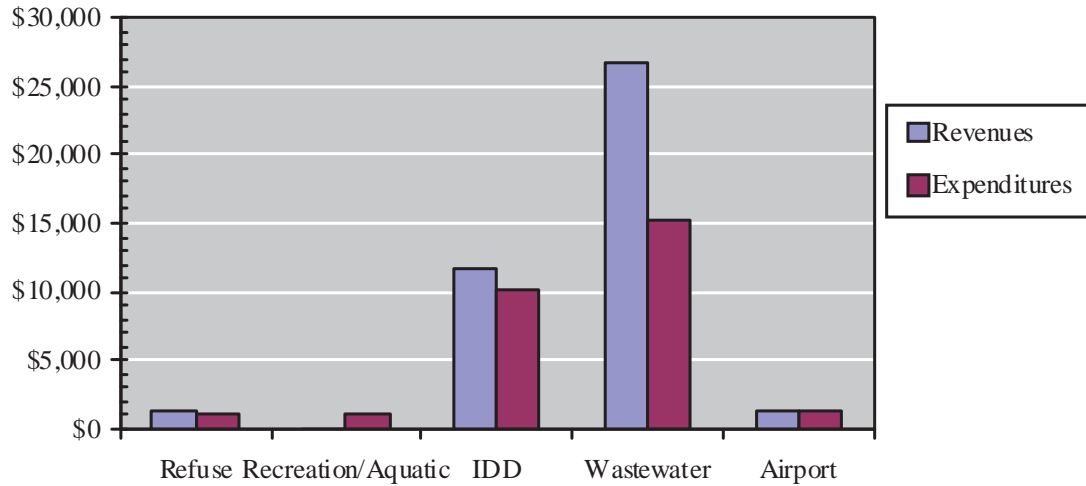
**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

\$608,056 (91.6 percent) due to the lack of grant funding for projects that are normally funded by FAA. In fiscal year 2008-09, capital grants and contributions decreased by \$2.1 million (22.8 percent). This decrease was mainly in the Wastewater Fund for reduced treatment capacity fees due to fewer connections to the sewer in fiscal year 2008-09. This decline in connections was caused by delays in the project.

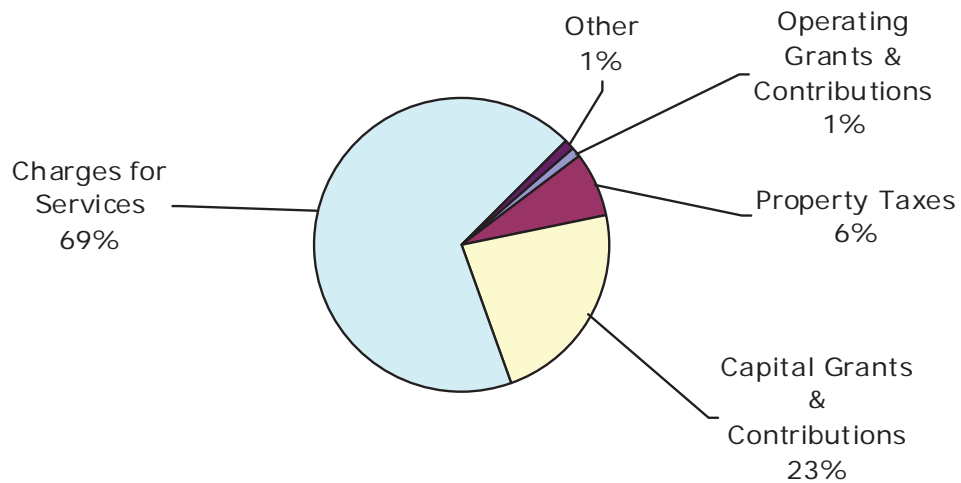
- Investment earnings declined \$514,726 (72.0 percent) during fiscal year 2009-10. In fiscal year 2008-09 investment earnings showed a decrease of \$1.6 million (68.7 percent). The decrease in both fiscal years was due to less favorable investment opportunities in the existing economic climate.
- Property taxes brought an increase of \$1.1 million in revenues in fiscal year 2009-10. This increase was due to an increase in the per acre tax for the IDD. In fiscal year 2008-09, IDD property taxes did not realize any change due to holding the per acre rate at the same level as the prior year.
- In fiscal year 2009-10 the total changes in expenses declined \$1.3 million (4.4 percent). Refuse realized an increase of \$293,051 (37.2 percent) due to the increase in administrative costs for services provided by governmental funds. IDD realized a decline of \$1.6 million (13.9 percent). Recreation/Aquatic had a decrease of \$159,632 (12.9 percent). Airport had a decrease of \$247,178 (15.1 percent). Recreation/Aquatic, IDD and Airport all had reductions in staff as well as budget restraints in fiscal year 2009-10, as mentioned previously. Wastewater expenses continued to increase by \$428,992 (2.9 percent), as cutbacks did not completely offset the increasing costs of an expanding customer base. There were no significant changes in expenses in Refuse, Recreation/Aquatic, IDD and Airport funds in fiscal year 2008-09. The expenses in the Wastewater Fund however increased \$2.5 million (20.7 percent) in fiscal year 2008-09.
- Total revenues and transfers increased \$5.0 million (12.1 percent) overall in fiscal year 2009-10 due mainly to the \$2.0 million decrease in transfers from the governmental funds (51.9 percent). The decrease in transfers was mainly due to a reduction of subsidies for enterprise fund capital projects that were scaled back in an attempt to preserve the General Fund balance until the economic condition improves. In fiscal year 2008-09, total revenues and transfers increased \$1.2 million (3.0 percent) overall due mainly to the \$4.5 million increase in transfers from the governmental funds (795.1 percent) tied to the \$3.0 million transfer to the Wastewater Fund from the general fund for the wastewater system expansion.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Lake Havasu City  
Program Revenues and Expenses  
Business-Type Activities  
Fiscal Year 2009-10  
(In thousands of dollars)**



**Lake Havasu City  
Revenues by Source  
Business-Type Activities  
Fiscal Year 2009-10**



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Financial Analysis of Lake Havasu City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2009-10, the City's governmental funds reported combined ending fund balances of \$25.1 million, an increase of \$6.0 million (31.5 percent) in comparison with the prior fiscal year 2008-09, which reflected combined ending fund balance of \$19.1 million, a decrease of \$4.5 million (18.9 percent). Approximately \$24.4 million (97.3 percent) of fiscal year 2009-10 balance constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. In fiscal year 2008-09, the unreserved, undesignated fund balance was \$18.7 million (97.9 percent). The remainder of fiscal year 2009-10 fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$404,693), 2) to pay for debt service (\$50,031), or 3) for a variety of other restricted purposes (\$214,360).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2009-10, unreserved, undesignated fund balance of the General Fund was \$12.0 million, while total fund balance reached \$12.5 million. In fiscal year 2008-09, the General Fund unreserved, undesignated fund balance was \$10.9 million and the total fund balance was \$11.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance for fiscal year 2009-10 represents 37.2 percent of total General Fund expenditures, while total fund balance represents 38.7 percent of that same amount. In fiscal year 2008-09, unreserved, undesignated fund balance represented 27.9 percent of total General Fund expenditures and total fund balance represented 28.5 percent of that same amount.

The fund balance of the City's General Fund increased \$1.4 million (12.1 percent) during fiscal year 2009-10. Key factors for this increase in fiscal year 2009-10 are:

- Overall total revenues in fiscal year 2009-10 reflected a decrease of \$2.8 million. Revenues were expected to decrease but aggressive budget cuts were successful in offsetting a greater than anticipated decrease. Expenditures decreased \$6.8 million (17.4 percent). In fiscal year 2008-09, revenues decreased \$4.9 million (11.1 percent) and the decrease in expenditures was \$2.8 million (6.6 percent).
- Licenses and permits increased \$200,948 (20.2 percent) due to rate increases in fiscal year 2009-10 and a slight improvement to the construction industry and building permit activity. In fiscal year 2008-09 licenses and permits declined \$1.0 million (49.4 percent) due to the impact of the recession on the building industry.
- Intergovernmental revenues decreased \$1.5 million (9.8 percent) due to a decrease in state shared revenue from declining sales and auto tax revenue. Fiscal year 2008-09 reflected a decrease of \$576,299 (3.6 percent). In fiscal year 2008-09 the City also realized a larger

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allocation of state shared revenues due to an increase in population. Local revenues reflect a faster response to economic conditions; however, state shared revenues have a delay of about 2 years in reflecting the true economic condition and fiscal year 2009-10 is a reflection of the full impact of that delay.

- Public safety costs in both police and fire decreased in total by \$4.2 million in fiscal year 2009-10 representing a 17.4 percent decrease. The decrease in fiscal year 2008-09 was \$769,203 (3.1 percent). The decrease in fiscal year 2009-10 was the result of the budget reduction strategies that were implemented, as mentioned earlier, mid-way into fiscal year 2008-09.
- Culture and recreation reflected a decrease in expenditures of \$1.3 million (23.9 percent) from fiscal year 2008-09 due to the budget reduction strategies. Many recreation programs, hours of operation and staff hours were reduced to accomplish this reduction. Fiscal year 2008-09 had a decrease of \$765,790 (12.6 percent).
- General government expenditures also decreased \$1.4 million (14.0 percent) in fiscal year 2009-10. In fiscal year 2008-09 expenditures decreased \$1.2 million (11.1 percent). The decrease in both fiscal years was again the result of the budget reduction strategies implemented during each of these years.
- Sales tax revenue decreased \$1.4 million (10.0 percent) in fiscal year 2009-10. This revenue source was affected by the continued downturn in the construction and retail industry. In fiscal year 2008-09 sales tax decreased \$3.3 million (18.9 percent) reflecting the economic downturn at what appears to be its peak.
- A decrease of \$2.1 million (37.9 percent) is reflected in transfers out from the General Fund in fiscal year 2009-10. This was due to the reduction of capital projects after management implemented the budget reductions, therefore reducing the subsidies to the enterprise and capital project funds to keep the general fund with a positive and growing fund balance. In fiscal year 2008-09 total transfers out were \$5.5 million, a decrease of \$3.4 million (38.2 percent) from the prior fiscal year with the intent to preserve the general fund balance.

Overall, the net change to the General Fund balance was \$1.4 million, an increase of \$6.2 million from fiscal year 2008-09. Expenditures decreased at a higher rate than revenues decreased resulting in an excess of revenues over expenditures in the amount of \$4.7 million, an increase of \$4.1 million (646.2 percent) over fiscal year 2008-09. The operating transfers out of \$3.4 million had the most impact on the net change to fund balance in fiscal year 2009-10. These transfers were primarily for contributions to other funds for capital projects. The transfers in fiscal year 2009-10 were \$2.1 million less (37.9 percent) than the \$5.5 million in transfers out in fiscal year 2008-09, a result of the reductions to the capital projects in fiscal year 2009-10.

The HURF fund, which accounts for the City's highways and streets activities, had a net change in fund balance of an increase of \$1.5 million (220.2 percent) over fiscal year 2008-09. Revenues remained with no notable change while the expenditures decreased \$1.3 million (26.0 percent). This positively impacted the net change in fund balance in fiscal year 2009-10. In fiscal year 2008-09, the net change in fund balance reflected a decrease of \$15,527 (2.5 percent) from fiscal year 2007-08. This decrease was due to a decrease in highway user revenue funds received from the State.

The City's debt service fund has a total fund balance of \$50,031 which is reserved for the payment of debt service. The net increase in the Debt Service Fund balance during the current year was

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\$361 (1.0 percent). In fiscal year 2008-09 the net decrease in the Debt Service Fund was \$98,648 (66.5 percent) over prior year. The Debt Service Fund receives annual transfers from other funds relating to capital projects for which bonds were issued to cover costs. Transfer amounts are made according to the current fiscal year payment requirements. The decrease in fiscal year 2008-09 was due to the retirement of the Excise Tax debt issuance in fiscal year 2007-08.

The capital projects fund had expenditures totaling \$1.2 million, a decrease of \$3.0 million (71.4 percent) from fiscal year 2008-09. In fiscal year 2008-09, the capital projects fund had expenditures of \$4.1 million, representing a decrease of \$7.6 million (64.6 percent) from the prior year. The decrease in both years was due to budget reductions and project cut-backs that were implemented beginning in fiscal year 2008-09.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Total change to proprietary fund net assets showed an increase of \$17.5 million (9.1 percent). There was little change to Refuse, a decrease of \$235,913 (4.8 percent) in Recreation/Aquatic, a decrease of \$767,947 (4.0 percent) in Airport, an increase of \$2.7 million (4.2 percent) in IDD (water utility), and an increase of \$15.9 million (16.1 percent) in Wastewater. The decrease in Recreation/Aquatic is due to the discontinuance of programs. The increase in IDD is a result of budget reductions totaling \$1.7 million in operating costs over fiscal year 2008-09. The increase in the Wastewater Fund was due to a \$3.0 million increase in treatment capacity fees from customers connected to the sewer system and the addition of assets from the wastewater system expansion.

Unrestricted net assets in fiscal year 2009-10 for the IDD were \$6.7 million, the Wastewater Fund were \$70.2 million, Airport Fund were \$255,742, Refuse Fund were \$4.0 million, and Recreation/Aquatic Fund were \$25,917. In fiscal year 2008-09 these unrestricted net assets were \$4.5 million for IDD, \$62.8 million for Wastewater, \$320,787 for Airport, \$4.0 million for Refuse and \$65,890 for Recreation/Aquatic. The only significant changes were in IDD with an increase of \$2.2 million and Wastewater Fund with an increase of \$7.4 million. The Wastewater Fund carries excess cash available for wastewater system expansion costs in future fiscal years.

The Wastewater Fund had a \$2.3 million increase (15.9 percent) in operating revenue due to the increased customer base from the wastewater system expansion. In fiscal year 2008-09 operating revenue in this fund increased \$1.3 million (9.6 percent), also due to the larger customer base from the expansion project. Nonoperating revenue in Wastewater Fund decreased \$385,507 (66.5 percent) in fiscal year 2009-10 due to lower interest earnings from unfavorable investment opportunities. The contributed capital contributions in wastewater increased \$5.0 million (101.8 percent) over fiscal year 2008-09 due to increased treatment capacity fees from connections to the sewer system and from a \$2 million American Reinvestment and Recovery Act (ARRA) grant funding of forgivable principal on one of the Water Infrastructure Financing Authority (WIFA) debt service loans.

The internal service funds total net assets decreased by \$603,367 (5.4 percent) in fiscal year 2009-10. The vehicle replacement fund, which accounts for the vehicle and equipment replacement program had unrestricted net assets of \$5.2 million, an increase over fiscal year 2008-09 of

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\$759,510 (16.9 percent). This can be attributed to the retirement of lease funding in fiscal year 2009-10 which eliminated \$966,227 of net assets invested in capital assets. Operating revenues declined by \$440,610 (98.6 percent). One of the budget reducing strategies was to extend the life of the City's vehicles and equipment and by another year and forego the rental expense that provides the operating revenue to the vehicle replacement fund. The only mentionable expense to this fund, which caused the decrease in total net assets, was the depreciation on capital assets purchased in prior years.

The Employee Benefit Trust Fund (EBT) is used to account for the City's limited risk self-insurance program for employee and dependent medical care. The EBT had unrestricted net assets of \$5.2 million, a decrease of \$396,650 (7.0 percent) from fiscal year 2008-09 with a balance of \$5.6 million. Premium revenues declined \$457,055 (7.4 percent) due to staffing reductions. Operating expenses were \$6.1 million in fiscal year 2009-10, a decrease of \$528,083 (7.9 percent) from fiscal year 2008-09. Both of these factors were a result of staffing reductions; however, the City did experience rising health care coverage costs, which aren't apparent in the operating expenses due to the staffing reductions. Other factors concerning the finances of these proprietary funds have already been addressed in the discussion of the City's business-type activities.

***Fiduciary Funds.*** The City maintains a Fiduciary Fund for the assets of the Paid-On-Call (POC) Firefighters Pension Fund. The POC Fund manages the investments held in trust on behalf of the participants in the plan. Additional information can be found in the Notes to the Basic Financial Statements on page 72.

### **General Fund Budgetary Highlights**

During the year there were two changes in appropriations between the original and final budget in fiscal year 2009-10. One was due to contract obligations for severance pay with the termination of the City Manager. The second was due to a capital contribution resulting from the sale of land.

Total revenues reflect a negative variance to budget in the amount of \$1.6 million (4.1 percent) for fiscal year 2009-10 and a negative variance of \$8.5 million (17.6 percent) in fiscal year 2008-09. This was due mainly, as mentioned previously, to the ongoing decline in sales tax revenue from a slow construction and retail industry which began in fiscal year 2007-08 and continued through 2009-10.

The actual expenditures reflected a favorable variance to final budget in the amount of \$5.1 million, or 13.7 percent less than the total appropriations due to a conscious effort by staff to adhere to budget restrictions. In fiscal year 2008-09 actual expenditures showed favorable variance to final budget in the amount of \$9.2 million (19.5 percent less).

Tax revenues show a negative variance of \$1.6 million between actual and final budget. This was due to continuing economic conditions that impacted sales tax collections from construction, tourism and retail activity. Non-departmental expenditures were \$2.7 million less than anticipated primarily due to the savings of contingency budgeted for unplanned expenditures that was not needed in fiscal year 2009-10. In addition, there was a \$1.2 million variance for transfers due to lower than anticipated project costs that required transfers of funding from the general fund.



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The end of year actual fund balance to projected fund balance reflects an additional \$3.9 million due to the favorable variances in expenditures for fiscal year 2009-10. In fiscal year 2008-09 the projected fund balance reflected an additional \$3.6 million over projected.

**Capital Asset and Debt Administration**

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, totals \$505.2 million (net of accumulated depreciation). In fiscal year 2008-09, the capital asset investment was \$467.6 million, representing an increase of \$37.6 million (8.0 percent) in fiscal year 2009-10 and \$34.7 million (8.0 percent) in fiscal year 2008-09. This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The total decrease in fiscal year 2009-10 for governmental activities was \$4.3 million, a 4.5 percent decrease. This decrease was due to the addition to accumulated depreciation in excess of new assets acquired. The total increase for business-type activities was \$41.8 million, or 11.2 percent increase. This increase was due to the ongoing sewer expansion project. The total increase in fiscal year 2008-09 for governmental activities was \$3.6 million (3.9 percent) and \$31.2 million (9.1 percent) for business-type activities.

**Lake Havasu City, Arizona  
Capital Assets, Net of Depreciation  
June 30, 2010 and 2009  
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2010	2009	2010	2009	2010	2009	
Land	\$ 25,539	\$ 25,678	\$ 3,288	\$ 3,363	\$ 28,827	\$ 29,041	-0.7%
Improvements to Land	10,328	13,762	-	-	10,328	13,762	-25.0%
Buildings, Structures & Improvements	14,530	15,081	27,736	28,388	42,266	43,469	-2.8%
Other Improvements	-	-	367,598	325,590	367,598	325,590	12.9%
Equipment, Furniture & Fixtures	6,107	7,634	1,803	2,374	7,910	10,008	-21.0%
Construction in Progress	790	700	5,113	6,345	5,903	7,045	-16.2%
Infrastructure	33,840	32,542	-	-	33,840	32,542	4.0%
Water Allocation	-	-	8,535	6,166	8,535	6,166	38.4%
Total	<u>\$ 91,134</u>	<u>\$ 95,397</u>	<u>\$ 414,073</u>	<u>\$ 372,226</u>	<u>\$ 505,207</u>	<u>\$ 467,623</u>	

The estimated cost to complete current construction projects is \$838,708 for governmental activities and \$43.9 million for business-type activities.

Major capital asset events during the current fiscal year included the following:

- The majority of the increase in capital assets was in the Wastewater Fund. Construction continued on the City's sewer system expansion project during fiscal year 2009-10. The increase to this fund's total capital assets totaled \$41.9 million. This total system cost included \$2.7 million for the Centre Force Main Modification project, \$46.3 million for the expanded sewer connections, \$2.9 million for the Sweetwater/Hagen pump station, and various other projects of the Wastewater Fund, such as the wastewater master plan update, the Island treatment shop building and other projects.



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- The remaining increases in the proprietary funds were mainly in the IDD, which had additions of \$4.7 million. There was \$1.4 million added in waterline and service line replacements and \$2.4 million expensed on securing future water rights.
- The governmental capital assets declined by \$4.3 million. Although additions of \$2.5 million occurred for improvements to various Regional & Urban Design Assistance Team (R/UDAT) projects (\$831,314), the purchase of a bomb robot (\$255,041) and an HVAC replacement program (\$496,999), depreciation on these and existing assets offset these costs to reflect the decline in total governmental capital assets.

Additional information on the City's capital assets can be found in Note 3. A. 4 on pages 61-63 of this report.

**Long-term debt.** At the end of fiscal year 2009-10, the City had total bonded debt outstanding of \$287.2 million (net of related premium). At the end of fiscal year 2008-09 the City had bonded debt totaling \$253.3 million. Of the fiscal year 2009-10 total bonded debt, \$135,000 are general obligation bonds backed by the full faith and credit of the IDD (water utilities), \$2.5 million are excise tax revenue bonds for the Freedom Bridge, \$224.0 million are loans from WIFA for wastewater expansion and water system improvements and \$60.4 million (net of related premium) is a loan from Greater Arizona Development Authority (GADA) also for the wastewater expansion. The remaining \$125,000 is improvement district bonds for the McCulloch Boulevard streetscape improvements at the request of the property owners.

During the fiscal year, the City received \$41.8 million from WIFA for wastewater capital improvements (\$40.9 million) and water capital improvements (\$878,757). The City retired \$60,000 in special assessment debt, \$10,000 in general obligation bonds of the IDD and \$7.7 million (net of related premium) in WIFA and GADA loans in the Wastewater Fund.

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding secondary assessed valuation of the City. The City's available debt margin at June 30, 2010, is \$55.6 million in the 6 percent capacity and \$30.5 million in the 20 percent capacity. In fiscal year 2008-09, the 6 percent capacity limit was \$62.8 million and the 20 percent capacity limit was \$25.2 million. The increase in 20 percent debt margin stems from the increase in the amount set aside for repayment of debt and the issuance of additional debt for the sewer system expansion. The decline in available debt margin in the 6 percent margin is due to declining assessed property valuations from economic conditions. Additional information on the debt limitations and capacities may be found on page 135 in the statistical section of this report. See Note 3. C and D on pages 65-68 to the financial statements for further information regarding capital leases and long-term bonds and loans.

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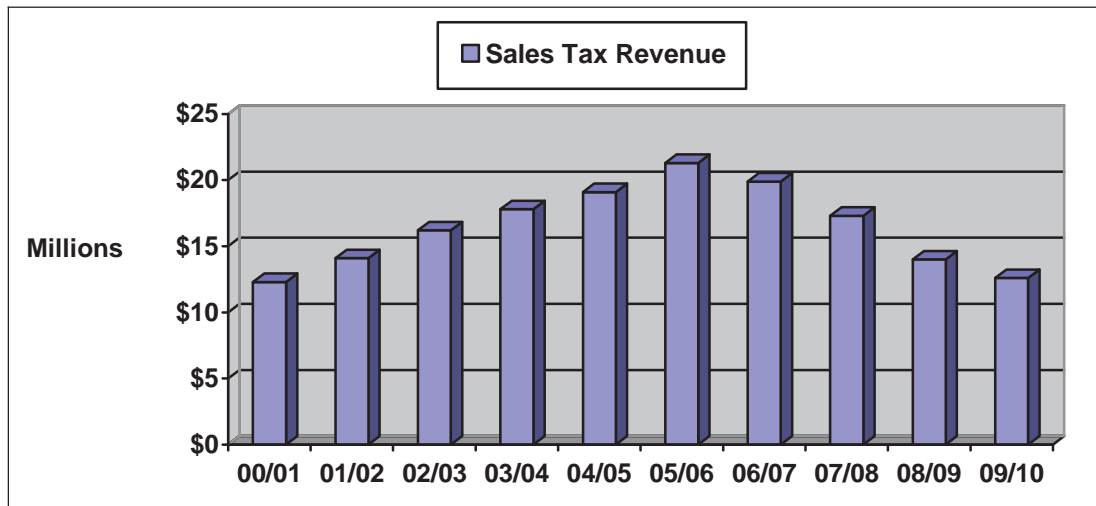
	Governmental		Business-Type				Percent
	Activities		Activities		Total		Change
	2010	2009	2010	2009	2010	2009	
General Obligation Bonds	\$ -	\$ -	\$ 135	\$ 145	\$ 135	\$ 145	-6.9%
Revenue Bonds	2,510	2,615	-	-	2,510	2,615	-4.0%
Special Assessments Debt with Government Commitment	125	185	-	-	125	185	-32.4%
GADA (net of related premium), G/O Loan	-	-	60,451	60,547	60,451	60,547	-0.2%
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	-	-	6,602	7,007	6,602	7,007	-5.8%
LHC WIFA 2002 Sr. Lien Revenue	-	-	6,602	7,007	6,602	7,007	-5.8%
LHC WIFA 2004 Sr. Lien Revenue	-	-	4,960	5,217	4,960	5,217	-4.9%
LHC WIFA 2004A Jr. Construction, G/O Loan	-	-	29,290	30,240	29,290	30,240	-3.1%
LHC WIFA 2004A Sr. Construction	-	-	14,875	15,635	14,875	15,635	-4.9%
LHC WIFA 2006 Jr. Construction, G/O Loan	-	-	46,610	47,357	46,610	47,357	-1.6%
LHC WIFA 2006 Sr. Construction	-	-	11,395	11,887	11,395	11,887	-4.1%
LHC WIFA 2007 Drinking Water	-	-	5,253	4,583	5,253	4,583	14.6%
LHC WIFA 2007 Sr. Construction	-	-	51,567	45,397	51,567	45,397	13.6%
LHC WIFA 2008 Jr. Construction, G/O Loan	-	-	28,985	15,369	28,985	15,369	88.6%
LHC WIFA 2009 Sr. Construction	-	-	2,901	80	2,901	80	3526.3%
LHC WIFA 2009A Sr. Construction	-	-	14,973	-	14,973	-	n/c
Total Bonds Payable	<u>2,635</u>	<u>2,800</u>	<u>284,599</u>	<u>250,471</u>	<u>287,234</u>	<u>253,271</u>	
Capital Leases	1,952	3,010	812	1,236	2,764	4,246	-34.9%
Compensated Absences	2,115	1,699	311	265	2,426	1,964	23.5%
Other Postemployment Benefits	1,001	509	374	181	1,375	690	99.3%
Landfill Closure and Post-Closure Costs	-	-	2,379	2,263	2,379	2,263	5.1%
Total Long-Term Liabilities	<u>\$ 7,703</u>	<u>\$ 8,018</u>	<u>\$ 288,475</u>	<u>\$ 254,416</u>	<u>\$ 296,178</u>	<u>\$ 262,434</u>	

## Economic Factors and Next Year's Budgets and Rates

### Sales Tax

The City's most reliable indicator of economic condition is sales tax. The City's collection of sales tax revenue comprised 34.1 percent (\$12.6 million) of the total General Fund revenues in fiscal year 2009-10. This represents a decrease of \$1.4 million (10.0 percent) from fiscal year 2008-09, which reflected a decrease of \$3.3 million, an 18.9 percent reduction over the prior fiscal year. The City's sales tax rate is currently 2 percent. An additional 1 percent for restaurant/bar activity and 3 percent for transient occupancy is collected for the Tourism/Economic Development Fund. The City anticipates the sales tax revenue to flatten out during the current economic climate, however, increased commercial development is expected to generate sales tax to offset the decline in residential construction. The City expects to maintain a sustainable long-term economic outlook which can be attributed to new tenants continually opening at the new regional mall, continued tourism and major commercial growth in the City.

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The unemployment rate for the City is currently 8.1 percent, which has decreased 1.7 percent from last year's rate of 9.8 percent. This compares favorably to the state's average unemployment rate of 9.8 percent and the national average rate of 9.5 percent at June 30, 2010. Inflationary trends in the region compare to national indices.

During the current fiscal year, the City has appropriated \$377,365 of the \$12.0 million unreserved, undesignated fund balance in the General Fund for spending in the 2010-11 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2010-11 fiscal year. The City intends to continue growing the reserves of the General Fund through implementation of budget restraints and increased fees for services and programs in fiscal year 2010-11. It is also intended to obviate the need for the transfer of additional resources to the General Fund.

Recognizing that the City's General Fund balance needs to maintain a healthy level, the City Council continues to evaluate other financing alternatives of paying for capital improvements. This change in policy (from pay-as-you-go) should help the City to maintain cash balances over the next several years, both for financial stability and in anticipation of capital and ongoing operational needs of a growing city during a continued national recession. In addition, the City began imposing impact fees in fiscal year 2008-09 to cover the cost of major infrastructure associated with new growth.

The City decreased the property tax levy rates to \$0.5834 per \$100 assessed value in fiscal year 2009-10 due to the rise in assessed value of property and the statutory limit on the total levy. In fiscal year 2008-09 the property tax levy rate was \$0.6038 per \$100 assessed value. This represented a decrease of 3.4 percent in fiscal year 2009-10 and 9.9 percent in 2008-09.

Building permit fees are expected to continue at the prior year level based on the distressed residential housing condition and mortgage crisis. This, in turn, will impact the sales tax collections. The City is optimistic that the continued commercial growth and increased valuation

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of the permitted improvements, in addition to the regional mall that is experiencing an increasing tenant base to generate additional retail sales, will help carry the City through this economic slump.

During fiscal year 2009-10 sewer rates realized increases of 11.8 percent. During fiscal year 2008-09 the City contracted for a new rate study for the wastewater system. The study was completed in July 2009. Sewer rate increases were scheduled to be effective April 2010, April 2011 and April 2012 based on the rate study adopted by Council in July 2009. At the end of fiscal year 2006-07, the City adopted a Rate Stabilization Fund. This required that \$5.0 million be reserved to maintain a fund balance in the Wastewater Fund that will factor into calculations of future rate increases with the intent to stabilize rates, meet required debt covenants and prevent wide rate fluctuations to the utility customers. Sewer revenues are expected to increase due to the rate increase and expanded customer base.

Trash rates will realize an increase in the 2010-11 budget year. Trash rates are increased annually in January by a consumer price index. The consumer price index had declined in fiscal year 2009-10, which resulted in no rate increase in January 2010.

The City contracted for a water rate study in fiscal year 2008-09 to review the rates needed to cover the costs of the water system operations and maintenance. Water rates had not been increased since July 2004. Council adopted rate increases in 2009 that became effective August 2009 for fiscal year 2009-10. Water rates are not expected to increase in fiscal year 2010-11.

All of these factors were considered in preparing the City's budget for the 2010-11 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Department  
Lake Havasu City  
2330 McCulloch Blvd. N.  
Lake Havasu City, AZ 86403  
Telephone (928) 855-2116  
Fax (928) 855-0551  
Website: [www.lhcaz.gov](http://www.lhcaz.gov)

## **Basic Financial Statements**

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash and Investments	\$ 30,317,352	\$ 53,607,522	\$ 83,924,874
Receivables, Net			
Accounts Receivable	256,280	10,237,141	10,493,421
Taxes Receivable	225,655	176,655	402,310
Intergovernmental Receivable	7,454,079	10,683,580	18,137,659
Special Assessments Receivable	123,787	-	123,787
Interest Receivable	60,401	17,703	78,104
Inventories	214,360	3,035	217,395
Prepaid Items	449,776	156,939	606,715
Deferred Charges	-	4,879,183	4,879,183
Restricted Assets	-	17,285,227	17,285,227
Capital Assets			
Non-Depreciable	26,328,870	14,566,934	40,895,804
Depreciable (net)	64,805,258	399,506,225	464,311,483
Total Assets	130,235,818	511,120,144	641,355,962
<b>Liabilities</b>			
Accounts Payable	1,514,324	5,296,094	6,810,418
Accrued Wages and Benefits	1,649,478	148,084	1,797,562
Interest Payable	53,332	4,381,190	4,434,522
Intergovernmental Payable	330,279	106,664	436,943
Retainage Payable	32,891	1,454,353	1,487,244
Unearned Revenue	214,854	1,031,077	1,245,931
Performance Bonds Payable	15,575	-	15,575
Developer Agreements	85,696	-	85,696
Claims Payable	542,000	-	542,000
Liabilities Payable from Restricted Assets	-	391,575	391,575
Noncurrent Liabilities			
Due Within One Year	2,747,406	7,417,194	10,164,600
Due in More Than One Year	4,955,712	281,058,443	286,014,155
Total Liabilities	12,141,547	301,284,674	313,426,221
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	86,672,300	128,661,852	215,334,152
Restricted for:			
Highways and Streets	2,213,293	-	2,213,293
Debt Service	50,031	-	50,031
Capital Outlay	9,470,637	-	9,470,637
Tourism/Economic Development	279,659	-	279,659
City Transit	58,481	-	58,481
CDBG/Home	1,178	-	1,178
Improvement Districts	92,787	-	92,787
Special Programs	417,910	-	417,910
Unrestricted	18,837,995	81,173,618	100,011,613
Total Net Assets	\$ 118,094,271	\$ 209,835,470	\$ 327,929,741

The notes to the financial statements are an integral part of this statement

# LAKE HAVASU CITY, ARIZONA

## STATEMENT OF ACTIVITIES

### FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Net (Expenses) Revenue and Changes in Net Assets							
	Expenses	Fees, Fines and Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 11,523,141	\$ 2,883,613	\$ 985,445	\$ 500,046	\$ (7,154,037)	\$ -	\$ (7,154,037)	
Public Safety	22,048,522	138,856	895,078	-	(21,014,588)	-	(21,014,588)	
Highways and Streets	5,425,314	26,885	4,628,331	3,079,727	2,309,629	-	2,309,629	
Culture and Recreation	4,590,764	639,748	13,709	1,088	(3,936,219)	-	(3,936,219)	
Tourism and Promotion	1,357,407	-	-	-	(1,357,407)	-	(1,357,407)	
Transportation Services	1,820,973	103,165	1,133,901	91,152	(492,755)	-	(492,755)	
Interest on Long-term Debt	115,351	7,308	-	-	(108,043)	-	(108,043)	
Total Governmental Activities	46,881,472	3,799,575	7,656,464	3,672,013	(31,753,420)	-	(31,753,420)	
Business-Type Activities:								
Refuse	1,081,376	1,193,935	-	-	-	112,559	112,559	
Recreation/Aquatic Center	1,079,224	349,804	-	-	-	(729,420)	(729,420)	
Irrigation and Drainage	10,220,643	11,299,977	25,000	425,430	-	1,529,764	1,529,764	
Wastewater	15,205,648	16,836,789	-	9,891,976	-	11,523,117	11,523,117	
Airport	1,391,318	1,125,623	-	55,895	-	(209,800)	(209,800)	
Total Business-Type Activities	28,978,209	30,806,128	25,000	10,373,301	-	12,226,220	12,226,220	
Total Primary Government	\$ 75,859,681	\$ 34,605,703	\$ 7,681,464	\$ 14,045,314	(31,753,420)	12,226,220	(19,527,200)	
					-			
			General Revenues:					
			Taxes					
			Sales Taxes		13,979,108	-	13,979,108	
			Property Taxes		5,106,307	3,237,149	8,343,456	
			Franchise Taxes		1,687,909	-	1,687,909	
			Impact Fees		318,232	-	318,232	
			Unrestricted State Revenue Sharing		6,899,020	-	6,899,020	
			Unrestricted State Sales Tax Revenue Sharing		3,921,350	-	3,921,350	
			Unrestricted Auto Lieu Tax Revenue Sharing		2,665,669	-	2,665,669	
			Investment Earnings		253,460	200,593	454,053	
			Other		16,124	-	16,124	
			Transfers		(1,877,395)	1,877,395	-	
			Total General Revenues and Transfers		32,969,784	5,315,137	38,284,921	
			Change in Net Assets		1,216,364	17,541,357	18,757,721	
			Net Assets, Beginning		116,877,907	192,294,113	309,172,020	
			Net assets, Ending		\$ 118,094,271	\$ 209,835,470	\$ 327,929,741	

The notes to the financial statements are an integral part of this statement



**LAKE HAVASU CITY, ARIZONA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
<b>Assets</b>						
Cash and Investments	\$ 11,407,641	\$ 1,948,194	\$ 97,573	\$ 6,231,070	\$ 847,915	\$ 20,532,393
Receivables						
Accounts Receivable	230,593	2,528	-	-	1,562	234,683
Taxes Receivable	215,560	-	-	-	10,095	225,655
Intergovernmental Receivable	2,924,879	409,442	-	3,591,184	528,574	7,454,079
Special Assessments Receivable	-	-	123,787	-	-	123,787
Interest Receivable	60,401	-	-	-	-	60,401
Due from Other Funds	259,878	-	-	-	-	259,878
Inventories	164,360	50,000	-	-	-	214,360
Prepaid Items	346,425	58,268	-	-	3,148	407,841
Total Assets	<u>\$ 15,609,737</u>	<u>\$ 2,468,432</u>	<u>\$ 221,360</u>	<u>\$ 9,822,254</u>	<u>\$ 1,391,294</u>	<u>\$ 29,513,077</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 1,065,610	\$ 122,929	\$ -	\$ 265,921	\$ 58,853	\$ 1,513,313
Accrued Wages and Benefits	1,496,950	97,739	-	-	54,789	1,649,478
Interest Payable	4,210	1,580	47,542	-	-	53,332
Intergovernmental Payable	320,727	-	-	-	9,552	330,279
Due to Other Funds	-	-	-	-	259,878	259,878
Deferred Revenue	166,951	-	123,787	-	158,207	448,945
Retainage Payable	-	32,891	-	-	-	32,891
Performance Bonds Payable	15,575	-	-	-	-	15,575
Developer Agreements	-	-	-	85,696	-	85,696
Total Liabilities	<u>3,070,023</u>	<u>255,139</u>	<u>171,329</u>	<u>351,617</u>	<u>541,279</u>	<u>4,389,387</u>
<b>Fund Balances</b>						
Reserved for Inventories	164,360	50,000	-	-	-	214,360
Reserved for Prepaid Items	346,425	58,268	-	-	3,148	407,841
Reserved for Future Debt Service	-	-	50,031	-	-	50,031
Unreserved	12,028,929	2,105,025	-	9,470,637	-	23,604,591
Unreserved, reported in nonmajor:						
Special Revenue Funds	-	-	-	-	846,867	846,867
Total Fund Balance	<u>12,539,714</u>	<u>2,213,293</u>	<u>50,031</u>	<u>9,470,637</u>	<u>850,015</u>	<u>25,123,690</u>
Total Liabilities and Fund Balance	<u>\$ 15,609,737</u>	<u>\$ 2,468,432</u>	<u>\$ 221,360</u>	<u>\$ 9,822,254</u>	<u>\$ 1,391,294</u>	<u>\$ 29,513,077</u>

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Total Fund Balances for Governmental Funds	\$ 25,123,690
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Amounts reported for governmental activities in the statement of net assets are different because:

Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.	110,304
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Special assessment revenue not available for current resources	123,787
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	168,174,950
Less Accumulated Depreciation	<u>(78,221,878)</u>
Capital Assets Used in Governmental Activities	<u>89,953,072</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue Bonds	(2,510,000)
Special Assessment Debt with Government Commitment	(125,000)
Capital Leases	(1,951,828)
Compensated Absences	(2,115,303)
Other Postemployment Benefits	(1,000,987)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>10,486,536</u>
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Total Net Assets of Governmental Activities	<u><u>\$ 118,094,271</u></u>
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The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
<b>Revenues</b>						
Taxes						
Sales Taxes	\$ 12,627,628	\$ -	\$ -	\$ -	\$ 1,351,480	\$ 13,979,108
Property Taxes	4,865,228	-	-	-	220,072	5,085,300
Franchise Taxes	1,687,909	-	-	-	-	1,687,909
Intergovernmental Revenue	14,014,480	4,465,007	-	3,672,012	2,559,505	24,711,004
Fines and Forfeitures	1,402,627	-	-	-	84,178	1,486,805
Licenses and Permits	1,193,690	-	-	-	-	1,193,690
Charges for Services	820,804	-	-	-	111,082	931,886
Rents and Royalties	51,889	-	-	-	-	51,889
Contributions and Donations	-	-	-	-	6,939	6,939
Impact Fees	-	-	-	318,232	-	318,232
Special Assessments	-	-	68,996	-	-	68,996
Investment Earnings	198,293	1,786	41	12,368	59	212,547
Other	191,679	26,882	-	23	5,992	224,576
Total Revenue	<u>37,054,227</u>	<u>4,493,675</u>	<u>69,037</u>	<u>4,002,635</u>	<u>4,339,307</u>	<u>49,958,881</u>
<b>Expenditures</b>						
Current						
General Government	8,562,197	-	-	-	757,814	9,320,011
Public Safety	19,777,043	-	-	-	671,576	20,448,619
Highways and Streets	-	3,811,279	-	-	10,514	3,821,793
Culture and Recreation	4,033,535	-	-	-	4,905	4,038,440
Tourism and Promotion	-	-	-	-	1,356,746	1,356,746
Transportation Services	-	-	-	-	1,605,268	1,605,268
Debt Service						
Principal Retirement	-	-	165,000	-	-	165,000
Interest on Long-Term Debt	-	-	115,351	-	-	115,351
Capital Outlay	-	-	-	1,187,425	-	1,187,425
Total Expenditures	<u>32,372,775</u>	<u>3,811,279</u>	<u>280,351</u>	<u>1,187,425</u>	<u>4,406,823</u>	<u>42,058,653</u>
Excess (Deficiency) of Revenue Over Expenditures	4,681,452	682,396	(211,314)	2,815,210	(67,516)	7,900,228
<b>Other Financing Sources (Uses)</b>						
Transfers In	87,600	883,796	211,675	810,943	401,333	2,395,347
Transfers Out	<u>(3,416,931)</u>	<u>(44,191)</u>	<u>-</u>	<u>(600,000)</u>	<u>(211,620)</u>	<u>(4,272,742)</u>
Total Other Financing Sources (Uses)	<u>(3,329,331)</u>	<u>839,605</u>	<u>211,675</u>	<u>210,943</u>	<u>189,713</u>	<u>(1,877,395)</u>
Net Change in Fund Balance	1,352,121	1,522,001	361	3,026,153	122,197	6,022,833
<b>Fund balances, end of year</b>						
Beginning of Year	<u>11,187,593</u>	<u>691,292</u>	<u>49,670</u>	<u>6,444,484</u>	<u>727,818</u>	<u>19,100,857</u>
End of Year	<u>\$ 12,539,714</u>	<u>\$ 2,213,293</u>	<u>\$ 50,031</u>	<u>\$ 9,470,637</u>	<u>\$ 850,015</u>	<u>\$ 25,123,690</u>

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ 6,022,833

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	1,657,329
Less Current Year Depreciation	<u>(4,857,599)</u>
Excess Capital Expenditures Over Depreciation	<u>(3,200,270)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net assets (1,276,879)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Property Taxes	21,012
Special Assessments	<u>(61,687)</u>

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.

Principal Payments on Long-term Debt	1,222,788
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net Increase in Compensated Absences	(416,196)
Net Increase in Other Postemployment Benefits	(491,870)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net changes in net assets of the internal service fund is reported with governmental activities	<u>(603,367)</u>
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Changes in Net Assets of Governmental Activities	<u><u>\$ 1,216,364</u></u>
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The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES-BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenue</b>				
Taxes	\$ 20,757,920	\$ 20,757,920	\$ 19,180,765	\$ (1,577,155)
Intergovernmental Revenue	13,927,237	13,927,237	14,014,480	87,243
Fines and Forfeitures	1,272,500	1,272,500	1,402,627	130,127
Licenses and Permits	1,097,927	1,097,927	1,193,690	95,763
Charges for Services	990,507	990,507	820,804	(169,703)
Rents and Royalties	58,000	58,000	51,889	(6,111)
Contributions and Donations	2,500	2,500	-	(2,500)
Investment Earnings	320,000	320,000	198,293	(121,707)
Other	230,370	230,370	191,679	(38,691)
Total Revenue	38,656,961	38,656,961	37,054,227	(1,602,734)
<b>Expenditures</b>				
Current				
General Government				
City Council	48,149	48,149	45,798	2,351
City Clerk	156,115	156,115	139,183	16,932
Magistrate Court	1,315,351	1,315,351	1,237,234	78,117
City Manager	54,569	204,569	131,100	73,469
Human Resources	278,865	278,865	216,496	62,369
Finance	715,093	715,093	619,250	95,843
Community Services	68,969	68,969	57,734	11,235
Finance - Information Systems	534,186	534,186	481,065	53,121
City Attorney	475,320	475,320	464,746	10,574
Non-Departmental	4,349,196	4,349,196	1,689,063	2,660,133
Government-Outside Contracts	1,443,177	1,443,177	1,332,832	110,345
Special Events	40,000	40,000	-	40,000
Public Works Administration and Engineering	517,595	517,595	308,383	209,212
Vehicle Maintenance	428,283	428,283	358,745	69,538
Development Services	1,784,721	1,784,721	1,480,568	304,153
Total General Government	12,209,589	12,359,589	8,562,197	3,797,392
Public Safety				
Police	11,477,483	11,477,483	11,060,100	417,383
Fire	9,249,768	9,249,768	8,716,943	532,825
Total Public Safety	20,727,251	20,727,251	19,777,043	950,208
Culture and Recreation				
Parks and Recreation Administration	364,282	364,282	339,421	24,861
Recreation Department	1,680,233	1,680,233	1,524,831	155,402
Parks and Maintenance	2,368,284	2,368,284	2,169,283	199,001
Total Culture and Recreation	4,412,799	4,412,799	4,033,535	379,264
Total Expenditures	37,349,639	37,499,639	32,372,775	5,126,864
Excess (Deficiency) of Revenue Over Expenditures	1,307,322	1,157,322	4,681,452	3,524,130
Other Financing Sources (Uses)				
Transfers In	-	787,600	87,600	(700,000)
Transfers Out	-	(4,639,764)	(3,416,931)	1,222,833
Total Other Financing Sources (Uses)	-	(3,852,164)	(3,329,331)	522,833
Net Change in Fund Balance	1,307,322	(2,694,842)	1,352,121	4,046,963
Fund Balance				
Beginning of Year	9,469,742	9,469,742	11,187,593	1,717,851
End of Year	\$ 10,777,064	\$ 6,774,900	\$ 12,539,714	\$ 5,764,814

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**HURF FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES-BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 4,482,594	\$ 4,465,007	\$ (17,587)
Investment Earnings	3,000	1,786	(1,214)
Other	10,000	26,882	16,882
Total Revenue	4,495,594	4,493,675	(1,919)
Expenditures			
Current			
Highways and Streets	5,129,986	3,811,279	1,318,707
Excess (Deficiency) of Revenue over Expenditures	(634,392)	682,396	1,316,788
Other Financing Sources (Uses)			
Transfers In	962,615	883,796	(78,819)
Transfers Out	(100,000)	(44,191)	55,809
Total Other Financing Sources (Uses)	862,615	839,605	(23,010)
Net Change in Fund Balances	228,223	1,522,001	1,293,778
Fund Balance			
Beginning of Year	139,420	691,292	551,872
End of Year	\$ 367,643	\$ 2,213,293	\$ 1,845,650

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Total	
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	\$ 6,762,053	\$ 40,053,586	\$ 6,791,883	\$ 53,607,522	\$ 9,784,959
Receivables, Net					
Accounts Receivable	827,967	9,053,622	355,552	10,237,141	21,597
Taxes Receivable	138,687	37,968	-	176,655	-
Intergovernmental Receivable	193,714	10,481,046	8,820	10,683,580	-
Interest Receivable	3,500	14,203	-	17,703	-
Inventory	-	-	3,035	3,035	-
Prepaid Items	110,458	32,533	13,948	156,939	41,935
Deferred Charges	26,200	4,852,983	-	4,879,183	-
Restricted Assets	674,389	16,584,868	25,970	17,285,227	-
Total Current Assets	8,736,968	81,110,809	7,199,208	97,046,985	9,848,491
Noncurrent Assets					
Capital Assets					
Non-Depreciable	8,326,372	5,101,895	1,138,667	14,566,934	-
Depreciable (net)	58,528,422	318,849,269	22,128,534	399,506,225	1,181,056
Total Noncurrent Assets	66,854,794	323,951,164	23,267,201	414,073,159	1,181,056
Total Assets	75,591,762	405,061,973	30,466,409	511,120,144	11,029,547
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	790,996	4,070,937	434,161	5,296,094	1,011
Accrued Wages and Benefits	-	101,175	46,909	148,084	-
Intergovernmental Payable	98,231	7,820	613	106,664	-
Interest Payable	89,821	4,290,529	840	4,381,190	-
Retainage Payable	117,496	1,336,857	-	1,454,353	-
Deferred Revenue	133,935	872,010	25,132	1,031,077	-
Liabilities Payable From Restricted Assets	365,505	100	25,970	391,575	-
Claims Payable	-	-	-	-	542,000
Compensated Absences	101,916	67,477	18,964	188,357	-
Capital Leases Payable	136,948	90,411	100,740	328,099	-
Other Post Employment Benefits	4,238	10,906	6,358	21,502	-
Bonds and Notes Payable	230,842	6,648,394	-	6,879,236	-
Total Current Liabilities	2,069,928	17,496,616	659,687	20,226,231	543,011
Noncurrent Liabilities					
Compensated Absences	66,936	42,437	13,195	122,568	-
Landfill Closure and Postclosure Care Costs	-	-	2,379,295	2,379,295	-
Capital Leases Payable	181,107	126,910	176,328	484,345	-
Other Post Employment Benefits	218,165	125,661	8,782	352,608	-
Bonds and Notes Payable	5,157,201	272,562,426	-	277,719,627	-
Total Noncurrent Liabilities	5,623,409	272,857,434	2,577,600	281,058,443	-
Total Liabilities	7,693,337	290,354,050	3,237,287	301,284,674	543,011
<b>Net assets</b>					
Invested in Capital Assets, Net of Related Debt	61,148,696	44,523,023	22,990,133	128,661,852	-
Unrestricted	6,749,729	70,184,900	4,238,989	81,173,618	10,486,536
Total Net Assets	\$ 67,898,425	\$ 114,707,923	\$ 27,229,122	\$ 209,835,470	\$ 10,486,536

The notes to the financial statements are an integral part of this statement



**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Irrigation and Drainage</u>	<u>Wastewater</u>	<u>Total Nonmajor Business-Type Activities</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenue					
Charges for Services	\$ 11,046,928	\$ 16,780,490	\$ 2,071,028	\$ 29,898,446	\$ 6,218
Premiums Charged	-	-	-	-	5,720,164
Total Operating Revenue	<u>11,046,928</u>	<u>16,780,490</u>	<u>2,071,028</u>	<u>29,898,446</u>	<u>5,726,382</u>
Operating Expenses					
Cost of Sales and Services	7,890,122	6,710,135	2,515,664	17,115,921	-
Premiums Paid	-	-	-	-	391,510
Administration	-	-	-	-	395,163
Benefits	-	-	-	-	5,343,720
Depreciation	<u>2,143,686</u>	<u>8,164,262</u>	<u>1,023,123</u>	<u>11,331,071</u>	<u>256,393</u>
Total Operating Expenses	<u>10,033,808</u>	<u>14,874,397</u>	<u>3,538,787</u>	<u>28,446,992</u>	<u>6,386,786</u>
Operating Income (Loss)	<u>1,013,120</u>	<u>1,906,093</u>	<u>(1,467,759)</u>	<u>1,451,454</u>	<u>(660,404)</u>
Nonoperating Revenues (Expense)					
Taxes	3,237,149	-	-	3,237,149	-
Intergovernmental	25,000	-	-	25,000	-
Interest Earnings	34,459	137,820	28,314	200,593	40,913
Interest Expense	(185,294)	(114,911)	(13,131)	(313,336)	-
Issuance Costs	(1,541)	(216,340)	-	(217,881)	-
Other Income	<u>253,049</u>	<u>56,299</u>	<u>598,334</u>	<u>907,682</u>	<u>16,124</u>
Total Nonoperating Revenue (Expenses)	<u>3,362,822</u>	<u>(137,132)</u>	<u>613,517</u>	<u>3,839,207</u>	<u>57,037</u>
Income (Loss) Before Capital Contributions and Transfers	4,375,942	1,768,961	(854,242)	5,290,661	(603,367)
Capital Contributions	425,430	9,891,976	55,895	10,373,301	-
Transfers In	-	4,250,000	525,299	4,775,299	-
Transfers Out	<u>(2,097,203)</u>	<u>(13,735)</u>	<u>(786,966)</u>	<u>(2,897,904)</u>	<u>-</u>
Change in Net Assets	<u>2,704,169</u>	<u>15,897,202</u>	<u>(1,060,014)</u>	<u>17,541,357</u>	<u>(603,367)</u>
Net Assets					
Beginning of Year	<u>65,194,256</u>	<u>98,810,721</u>	<u>28,289,136</u>	<u>192,294,113</u>	<u>11,089,903</u>
End of Year	<u>\$ 67,898,425</u>	<u>\$ 114,707,923</u>	<u>\$ 27,229,122</u>	<u>\$ 209,835,470</u>	<u>\$ 10,486,536</u>

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Receipts from Customers	\$ 11,117,636	\$ 16,565,579	\$ 2,081,518	\$ 29,764,733	\$5,724,886
Payments to Suppliers	(4,492,369)	(4,498,476)	(1,514,853)	(10,505,698)	(6,173,346)
Payments to Employees	(2,935,723)	(1,962,845)	(866,576)	(5,765,144)	-
Other Nonoperating Receipts	161,151	56,338	1,420	218,909	16,124
Customer Deposits (Payments)	22,966	-	45	23,011	-
Net Cash Flows from (used by) Operating Activities	3,873,661	10,160,596	(298,446)	13,735,811	(432,336)
Cash Flows from Noncapital Financing Activities					
Transfers In	-	4,250,000	525,299	4,775,299	-
Transfers Out	(2,097,203)	(13,735)	(786,966)	(2,897,904)	-
Tax Receipts	3,228,318	-	-	3,228,318	-
Intergovernmental Agreements	-	-	-	-	-
Net Cash Flows from (used by) Financing Activities	1,131,115	4,236,265	(261,667)	5,105,713	-
Cash Flows from Capital and Related Financing Activities					
Proceeds from Capital Debt	1,014,203	36,977,495	-	37,991,698	-
Capital Grants and Contributions	(5,764)	6,241,007	142,177	6,377,420	-
Purchases of Capital Assets	(2,717,100)	(41,000,322)	(35,985)	(43,753,407)	(471,222)
Principal Paid on Capital Debt	(404,491)	(5,475,983)	(130,987)	(6,011,461)	-
Interest Paid on Capital Debt	(167,776)	(8,323,102)	(13,512)	(8,504,390)	-
Loan Issuance Costs	-	(1,548,960)	-	(1,548,960)	-
Proceeds from Sale of Capital Assets	129,214	-	658,362	787,576	-
Net Cash Flows from (used by) Capital and Financing Activities	(2,151,714)	(13,129,865)	620,055	(14,661,524)	(471,222)
Cash Flows from Investing Activities					
Interest and Dividends	51,447	201,588	57,812	310,847	64,024
Net Change in Cash and Cash Equivalents	2,904,509	1,468,584	117,754	4,490,847	(839,534)
Cash and Cash Equivalents, Beginning of Year	4,531,933	55,169,870	6,700,099	66,401,902	10,624,493
Cash and Cash Equivalents, End of Year	\$ 7,436,442	\$ 56,638,454	\$ 6,817,853	\$ 70,892,749	\$9,784,959

Note: Cash and Cash Equivalents, End of Year on Statement of Cash Flows reflects the total of Cash and Cash Equivalents and Restricted Assets on the Statement of Net Assets.

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Irrigation and Drainage</u>	<u>Wastewater</u>	<u>Total Nonmajor Business-Type Activities</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
(Concluded)					
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities					
Operating Income (Loss)	\$ 1,013,120	\$ 1,906,093	\$ (1,467,759)	\$ 1,451,454	\$ (660,404)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities					
Depreciation	2,143,686	8,164,262	1,023,123	11,331,071	256,393
Other Nonoperating Receipts (Expenses)	162,743	56,338	1,026	220,107	16,124
Change in Assets/Liabilities:					
Receivables, Net	74,942	(214,811)	25,643	(114,226)	(4,773)
Inventories	-	-	(434)	(434)	-
Prepaid Items	(32,714)	212	1,244	(31,258)	(13,551)
Accounts Payable	278,205	(578,164)	4,655	(295,304)	(1,125)
Retainage Payable	95,261	728,200	-	823,461	-
Intergovernmental Payable	579	296	(14,759)	(13,884)	-
Accrued Wages and Benefits	(151,219)	(84,779)	(12,114)	(248,112)	-
Compensated Absences	157,711	109,914	17,910	285,535	-
Deferred Revenue	(5,826)	(100)	2,982	(2,944)	-
Customer Deposits Payable	22,966	-	45	23,011	-
Other Postemployment Benefits	114,207	73,135	3,206	190,548	-
Claims Payable	-	-	-	-	(25,000)
Landfill Closure and Postclosure Care Costs	-	-	116,786	116,786	-
Net Cash from (used by) Operating Activities	<u>\$ 3,873,661</u>	<u>\$ 10,160,596</u>	<u>\$ (298,446)</u>	<u>\$ 13,735,811</u>	<u>\$ (432,336)</u>

**Noncash Investing, Capital and Financing Activities**

Loan issuance costs of \$1,541 and \$216,340 were amortized in the Irrigation and Drainage District and Wastewater Funds, respectively, during the year.

The City received capital asset contributions from the Partnership for Economic Development (PED) of infrastructure and improvements in the Air Industrial Park totaling \$425,430 in the IDD, \$479,541 in the Wastewater Fund, and \$21,709 in Nonmajor proprietary funds. The differences in the amounts presented in the Statement of Cash Flows is the change in accounts receivable for capital grants between current and prior fiscal year (IDD-\$5,764, Wastewater-\$3,171,428, Nonmajor-\$107,991).

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2010**

	Paid-On-Call Firefighters' Pension
<b>Assets</b>	
Cash and Equivalents	\$ 2,163
Total Assets	<u>2,163</u>
<b>Net Assets</b>	
Held In Trust for Pension Benefits	<u><u>\$ 2,163</u></u>

The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Paid-On-Call Firefighters' Pension
Additions	
Investment Earnings (Loss)	
Net Increase (Decrease) in the Fair Value of Investments	\$ (2,876)
Deductions	
Benefits	<u>7,336</u>
Change in Net Assets	(10,212)
Net Assets, Beginning of Year	<u>12,375</u>
Net Assets, End of Year	<u><u>\$ 2,163</u></u>

The notes to the financial statements are an integral part of this statement

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**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lake Havasu City, Arizona (City) was incorporated in 1978. The City operates under a council-manager form of government and provides services as authorized by Title 9, Arizona Revised Statutes including: public safety (police and fire), highway and streets, culture and recreation, planning and zoning, general administrative services.

The accompanying financial statements of Lake Havasu City, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

**A. Reporting Entity**

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

The City has blended the following entities into its Comprehensive Annual Financial Report:

1. Irrigation and Drainage District (District) – The City has a legally mandated status as Trustee over the Irrigation and Drainage District as a result of the City's alternative method of incorporation in 1978 under a special Arizona law. The District was established in 1963 to build infrastructure and construct a water system. The members of the City Council are the District's board members and have the ability to significantly influence operations.
2. Improvement Districts No. 1, 2 and 4 - The City has three improvement districts that were created to fund maintenance and improvements for specific property owners. Financing is provided through the assessment of property taxes. The members of the City Council are the Improvement Districts' board members and have the ability to significantly influence operations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.



**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term interest due early in the following year, the expenditures have been recognized in the current year in the Debt Service Fund.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *HURF Fund* accounts for the operations of the street maintenance department. Financing is provided by the City's share of gasoline taxes.

The *Debt Service Fund* accounts for the accumulation of resources and the payment of long-term debt principal, interest and related costs.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

The government reports the following major proprietary funds:

The *Irrigation and Drainage District Fund* accounts for the activities of the Irrigation and Drainage District, a blended component unit of the City. The District operates the City's water system.

The *Wastewater Fund* accounts for the activities of the City's sewer system.

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for the City's limited risk self-insurance program for employee and dependant medical care and the City's vehicle replacement program.

The *Pension Trust Fund* accounts for the activities of the Paid-on-call Firefighters' Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer and government securities held by Wells Fargo Brokerage Services in a Safekeeping Account.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the month-end cash balances. Arizona Revised Statute, Title 35, allows public monies to be invested with maturities of five years for non-operating funds and a duration of no longer than three years for operating funds. The City's investment policy is empowered by state statute to invest in demand deposits, obligations of U.S. government, its instrumentalities, A-1/P-1 rated commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State of Arizona's Local Government Investment Pool. The primary objectives in priority order of the City's investment activities shall be safety, liquidity, and return on investments. Investments are stated at fair value.

**2. Receivables**

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

Mohave County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

**3. Short-Term Interfund Receivables/Payables**

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

**4. Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**5. Restricted Assets**

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Customer deposits are also restricted.

**6. Capital Assets**

Capital assets, which include land, improvements to land, buildings and building improvements, furniture, machinery, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Water Rights	0-40 years
Improvements other than buildings	10-20 years
Infrastructure	40-50 years
Furniture, machinery and equipment	3-10 years
Vehicles	3-10 years

**7. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Prior to January 1, 2010, benefit eligible employees accrued vacation, sick and float leave. Beginning January 1, 2010, all balances of accrued leave were converted to Paid Time Off (PTO). The maximum PTO leave carry forward for all regular and probationary employees is 420 hours or 588 hours for Fire employees working 24-hour shifts. Hours accrued in excess of the maximum will be forfeited if not used by January 1 of each calendar year. The value of the forfeited hours, to a maximum of 48 hours annually for regular employees and 72 hours annually for Fire shift employees, will be automatically contributed to a retiree health savings account annually in January.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**8. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Claims Incurred But Not Reported**

The estimated liability for claims incurred but not reported accrued as a current liability in the Internal Service Fund is based on historic monthly claims paid factored by a percentage of completion by month for the preceding twelve months.

**10. Net Assets**

In the government-wide and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**11. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2     STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described above of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The Finance Director may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

City Council authorized two supplemental budgetary appropriations throughout the year, including a \$150,000 transfer from the Capital Projects Fund to the General Fund related to contract commitments resulting from the termination of the City Manager's employment and a \$687,149 operating transfer to the Capital Projects Fund from Airport (\$589,946) and Irrigation and Drainage District (\$97,203) related to the contribution of proceeds from the sale of land owned by these funds.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed by the City during the year. Encumbrances (e.g., project purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3     DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2010 consist of the following:

Deposits	
Cash on Hand	\$ 10,040
Cash in Bank	13,786,612
Cash on Deposit with County Treasurer	186,426
Investments	
Pension Trust Mutual Fund	2,163
State Treasurer's Investment Pool (LGIP)	77,227,023
U.S. Government Securities	<u>10,000,000</u>
Total Deposits and Investments	101,212,264
 Restricted Assets	 (17,285,227)
 Fiduciary Fund	 <u>(2,163)</u>
Total Cash and Equivalents	<u><u>\$ 83,924,874</u></u>

**Investments** - The City's Investment Policy, adopted on July 10, 1996 authorizes the City to invest in obligations of the United States Treasury and United States Agencies, certificates of deposit in eligible depositories, Banker's Acceptances, repurchase agreements, money market funds, or any obligations guaranteed by the United States of America or any of its agencies. The City is also empowered to invest, by resolution, in the State of Arizona Local Government Investment Pool.

The City's investments at June 30, 2010 consist of the following:

Investment	Investment Maturities (in Years)			
	Amount	Less than 1	1-3	4-5
Pension Trust Mutual Fund	\$ 2,163	\$ 2,163	\$ -	\$ -
State Treasurer's Investment Pool	77,227,023	77,227,023	-	-
U.S. Government Securities	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>-</u>
Total Investments	<u><u>\$ 87,229,186</u></u>	<u><u>\$ 77,229,186</u></u>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ -</u></u>

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years.



**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3     DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**Credit Risk** – Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to invest in securities with the highest rating issued by NRSROs. Presented below is the rating as of June 30, 2010 for each investment type.

Investment Type	Total	AAA	AAAf	Exempt from Disclosure	Not Rated
Pension Trust Mutual Fund	\$ 2,163	\$ -	\$ -	\$ 2,163	\$ -
State Treasurer's Investment Pool	77,227,023	-	72,188,084	-	5,038,939
U.S. Government Securities	10,000,000	10,000,000	-	-	-
Total Investments	<u>\$ 87,229,186</u>	<u>\$ 10,000,000</u>	<u>\$ 72,188,084</u>	<u>\$ 2,163</u>	<u>\$ 5,038,939</u>

**Custodial Credit Risk** - Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2010, the City's deposits were covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name. No deposits were exposed to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

The City's investment in U.S. Government securities was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

**Concentration of Credit Risk** - The City's Investment Policy states that the City shall diversify its investments by security type and institution. With the exception of U. S. Treasury securities, authorized pools, and overnight repurchase agreements, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3      DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Restricted Assets**

Restricted assets in the proprietary funds at June 30, 2010 consisted of the following:

Customer Deposits	\$      391,575
Future Debt Service	<u>16,893,652</u>
	<u><u>\$ 17,285,227</u></u>

**3. Receivables**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 106,358	\$ -
Miscellaneous (General Fund)	-	60,593
Special Assessments Receivable Debt Service Fund)	123,787	-
Delinquent Property Taxes Receivable Nonmajor Governmental Funds)	3,946	-
Grants and Miscellaneous Nonmajor Governmental Funds)	-	154,261
Total Deferred Revenue for Governmental Funds	<u><u>\$ 234,091</u></u>	<u><u>\$ 214,854</u></u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3     DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, Not Being Depreciated:				
Land	\$ 25,677,916	\$ -	\$ (138,699)	\$ 25,539,217
Construction in Process	700,169	1,191,115	(1,101,631)	789,653
Total Capital Assets, Not Being Depreciated	<u>26,378,085</u>	<u>1,191,115</u>	<u>(1,240,330)</u>	<u>26,328,870</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	22,485,722	40,272	-	22,525,994
Improvements to Land	16,598,442	-	(3,092,633)	13,505,809
Infrastructure	82,087,385	3,006,216	-	85,093,601
Furniture, Machinery and Equipment	21,912,718	947,032	(495,624)	22,364,126
Total Capital Assets, Being Depreciated	<u>143,084,267</u>	<u>3,993,520</u>	<u>(3,588,257)</u>	<u>143,489,530</u>
Accumulated Depreciation for:				
Buildings and Improvements	(7,404,814)	(591,455)	-	(7,996,269)
Improvements to Land	(2,836,614)	(408,558)	67,881	(3,177,291)
Infrastructure	(49,545,288)	(1,708,581)	-	(51,253,869)
Furniture, Machinery and Equipment	(14,279,191)	(2,473,276)	495,624	(16,256,843)
Total Accumulated Depreciation:	<u>(74,065,907)</u>	<u>(5,181,870)</u>	<u>563,505</u>	<u>(78,684,272)</u>
Total Capital Assets, Being Depreciated, Net	<u>69,018,360</u>	<u>(1,188,350)</u>	<u>(3,024,752)</u>	<u>64,805,258</u>
Governmental Activities Capital Assets, Net:	<u>\$ 95,396,445</u>	<u>\$ 2,765</u>	<u>\$ (4,265,082)</u>	<u>\$ 91,134,128</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3      DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, Not Being Depreciated:				
Land	\$ 3,362,991	\$ -	\$ (74,962)	\$ 3,288,029
Water Allocation Rights	6,165,681	-	-	6,165,681
Construction in Process	6,344,870	52,243,387	(53,475,033)	5,113,224
Total Capital Assests, Not Being Depreciated	15,873,542	52,243,387	(53,549,995)	14,566,934
Capital Assets, Being Depreciated:				
Buildings and Improvements	34,444,839	228,086	-	34,672,925
Other Improvements	383,820,989	51,821,392	-	435,642,381
Machinery, Equipment and Vehicles	6,145,557	60,337	(75,642)	6,130,252
Water Allocation Rights	-	2,374,554	-	2,374,554
Total Capital Assets, being depreciated:	424,411,385	54,484,369	(75,642)	478,820,112
Accumulated Depreciation for:				
Buildings and Improvements	(6,056,712)	(880,534)	-	(6,937,246)
Other Improvements	(58,230,532)	(9,813,742)	-	(68,044,274)
Machinery, Equipment and Vehicles	(3,771,214)	(631,847)	75,642	(4,327,419)
Water Allocation Rights	-	(4,948)	-	(4,948)
Total Accumulated Depreciation:	(68,058,458)	(11,331,071)	75,642	(79,313,887)
Total Capital Assets, Being Depreciated, Net	356,352,927	43,153,298	-	399,506,225
Business-Type Activities Capital Assets, Net	\$ 372,226,469	\$ 95,396,685	\$ (53,549,995)	\$ 414,073,159

During fiscal year 2009-10, the Wastewater Fund capitalized net interest costs of \$8,572,636. Total interest expense in this fund before capitalization was \$8,687,547.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3     DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

**Governmental activities:**

General Government	\$ 709,758
Public Safety	1,711,563
Highways and Streets	1,716,399
Culture and Recreation	492,844
Transportation Services	226,374
Tourism and Promotion	661
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>256,393</u>
Total Depreciation Expense	<u><u>\$ 5,113,992</u></u>

**Business-type activities:**

Refuse	\$ 74,049
Recreation/Aquatic Center	195,941
Irrigation and Drainage	2,143,686
Wastewater	8,164,262
Airport	<u>753,133</u>
Total Depreciation Expense	<u><u>\$ 11,331,071</u></u>

**5. Construction Commitments**

The City has active construction projects at June 30, 2010. The projects include various street and park projects, water master plan and water system upgrades, and wastewater system expansion and treatment plant. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
Streets	\$ 90,640	\$ 177,317
Municipal Facilities	92,630	658,267
Parks	33,845	3,124
Total Governmental Activities	<u><u>\$ 217,115</u></u>	<u><u>\$ 838,708</u></u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Construction commitments (Continued)**

Business-type Activities		
Project	Spent-to-date	Remaining Commitment
Water system	\$ 2,256,690	\$ 4,263,305
Wastewater system expansion	52,957,307	39,672,698
Total business-type activities	<u>\$ 55,213,997</u>	<u>\$ 43,936,003</u>

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2010 interfund receivables and payables were as follows:

Due To	Due From
	Nonmajor Governmental Funds
General Fund	<u>\$ 259,878</u>

The above interfund receivables and payables reflect short-term loans to the Havasu Area Transit and CDBG/Home funds for negative ending cash balances.

Interfund transfers for the year ended June 30, 2010 consisted of the following:

Transfers From								
Transfers to	General Fund	Capital Projects	Irrigation & Drainage	Wastewater	HURF	Nonmajor Governmental Funds	Nonmajor Business-Type Activities	Total
HURF	\$ 122,968	\$ 600,000	\$ -	\$ 13,735	\$ -	\$ 687	\$ 146,407	\$ 883,796
Debt Service	211,675	-	-	-	-	-	-	211,675
General Fund	-	-	-	-	-	87,600	-	87,600
Capital Projects	28,989	-	97,203	-	44,191	-	640,559	810,943
Nonmajor Business-Type Funds	495,299	-	-	-	-	30,000	-	525,299
Wastewater	2,250,000	-	2,000,000	-	-	-	-	4,250,000
Nonmajor Governmental Funds	<u>308,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,333</u>	<u>-</u>	<u>401,333</u>
	<u>\$ 3,416,931</u>	<u>\$ 600,000</u>	<u>\$ 2,097,203</u>	<u>\$ 13,735</u>	<u>\$ 44,191</u>	<u>\$ 211,620</u>	<u>\$ 786,966</u>	<u>\$ 7,170,646</u>

Transfers were made for general operating purposes and to fund capital projects.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3      DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Obligations Under Capital Leases**

The City has entered into lease agreements as a lessee for financing the acquisition of equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of their future minimum lease payments as of the inception date providing they meet the capitalization threshold.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>
Asset:		
Vehicles and Equipment	\$ 5,562,880	\$ 2,148,824
Less: Accumulated Depreciation	(3,150,824)	(1,129,122)
Total	<u>\$ 2,412,056</u>	<u>\$ 1,019,702</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ending June 30,</u>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2011	\$ 951,002	\$ 354,442
2012	711,251	284,022
2013	264,358	148,775
2014	132,179	74,387
Total Minimum Lease Payments	2,058,790	861,626
Less: Amount Representing Interest	(106,962)	(49,182)
Present Value of Minimum Lease Payments	<u><u>\$ 1,951,828</u></u>	<u><u>\$ 812,444</u></u>

**D. Long-Term Obligations**

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The City has also issued debt to refund earlier obligations with higher interest rates. The debt is being repaid by the Debt Service, Irrigation and Drainage and Wastewater Funds. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund. Capital leases are paid by the applicable fund where the vehicles and equipment purchased will be used, primarily the General Fund.

The City has pledged revenue derived from an annual assessment and levy of taxes upon the real property of the Irrigation and Drainage District to repay \$4,120,000 in refunding bonds issued February 1993. Proceeds of the bonds were used to advance refund all of the District's outstanding bonds and payment of the costs of issuance of the Series 1993 bonds. The bonds are payable solely from tax assessments on the property owners and are payable through 2023. The total principal and interest remaining to be paid on the bonds is \$181,675. Principal and interest paid for the current year and total assessed taxes were \$18,600 and \$49,008, respectively.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3      DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

The City has pledged assessed taxes from each of the property owners within the McCulloch Boulevard Streetscape Improvement District to repay \$891,000 in governmental special assessment obligations issued in May 2001. Special assessment districts are created only by petition of the City Council by property owners within the District areas. Proceeds of the bonds provided financing for the improvements in the McCulloch Boulevard Streetscape Improvement District. In case of default, the City has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. The bonds are payable solely from property assessments and are payable through 2013. The total principal and interest to be paid on the bonds is \$131,534. Principal and interest paid for the current year and total assessments collected were \$67,944 and \$68,995, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$323,236,646 in authorized wastewater system loans from the Water Infrastructure Financing Authority (WIFA) issued October 2002 (\$17,015,000), April 2004 (\$5,940,000), December 2004 (\$50,065,000), October 2006 (\$60,835,000), August 2007 (\$52,914,430), October 2008 (\$45,585,000), July 2009 (\$5,147,488), and October 2009 (\$87,734,728). Proceeds from the loans provided financing for the construction of the Wastewater System Expansion Program. The loans are payable solely from wastewater customer net revenues and are payable through 2040 with the exception of \$2,000,000, which was principal paid with ARRA funds directly to WIFA. The total principal and interest remaining to be paid on the WIFA loans is \$440,500,447.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay a \$58,070,000 wastewater system loan issued by Greater Arizona Development Authority (GADA) in August 2005. Proceeds from the loan provided financing for the Wastewater System Expansion Program. The loan is payable solely from wastewater customer net revenues and is payable through 2036. The total principal and interest remaining to be paid on the loan is \$117,550,250.

Loan covenants on the wastewater debt (WIFA and GADA) requires the City to maintain 1.2 times coverage of net revenues to current year debt service payments. Principal and interest paid for the current year and total customer net revenues were \$14,141,649 (WIFA loans-\$11,238,149, GADA-\$2,903,500) and \$20,100,151, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay a \$5,700,000 water system loan from WIFA issued in June 2007. Proceeds from the loan provided financing for construction of water service line replacement and water main line replacement within the Wastewater System Expansion Program. The loan is payable solely from water customer net revenues and is payable through 2028. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the loan is \$7,036,299. Principal and interest paid for the current year and total customer net revenues were \$369,615 and \$3,191,265, respectively.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3      DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege, franchise taxes, all license and permit fees and fines and forfeitures to repay \$2,615,000 in governmental excise tax revenue obligations in the form of a loan from GADA issued in April 2008. Proceeds of the loan were used to purchase a parcel of land from the Arizona State Land Department for the Freedom Bridge (the second bridge to the Island). The loan is payable solely from excise taxes and is payable through 2023. Loan covenants require the City to maintain 1.25 times coverage of excise tax revenues to current year debt service payments. Total principal and interest to be paid on the loan is \$3,353,619. Principal and interest paid for the current year and total excise taxes were \$211,675 and \$26,044,313, respectively.

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

<b>Governmental Activities:</b>	<b>July 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2010</b>	<b>Due Within One Year</b>
Bonds and Loans Payable:					
GADA Loan Payable	\$ 2,615,000	\$ -	\$ (105,000)	\$ 2,510,000	\$ 135,000
Special Assessment Debt with Government Commitment	185,000	-	(60,000)	125,000	60,000
Total Bonds and Loans Payable	2,800,000	-	(165,000)	2,635,000	195,000
Other Liabilities:					
Capital Leases	3,009,616	-	(1,057,788)	1,951,828	889,360
Compensated Absences	1,699,107	2,421,382	(2,005,186)	2,115,303	1,256,073
Other Postemployment Benefits	509,117	836,986	(345,116)	1,000,987	406,973
Governmental Activities Long-term Liabilities	\$ 8,017,840	\$ 3,258,368	\$ (3,573,090)	\$ 7,703,118	\$ 2,747,406
<b>Business-type Activities:</b>	<b>July 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2010</b>	<b>Due Within One Year</b>
Bonds, Notes, and Loans Payable:					
General Obligation Bonds	\$ 145,000	\$ -	\$ (10,000)	\$ 135,000	\$ 15,000
GADA Loan Payable	58,070,000	-	-	58,070,000	-
WIFA Loan Payable	189,779,308	41,810,760	(7,577,656)	224,012,412	6,768,978
Plus: Deferred Amount on Premium	2,476,709	-	(95,258)	2,381,451	95,258
Total Bonds, Notes and Loans Payable	250,471,017	41,810,760	(7,682,914)	284,598,863	6,879,236
Other Liabilities:					
Capital Leases	1,236,247	-	(423,803)	812,444	328,099
Compensated Absences	265,594	404,722	(359,391)	310,925	188,357
Other Postemployment Benefits	180,580	203,152	(9,622)	374,110	21,502
Landfill Closure and Postclosure	2,262,509	116,786	-	2,379,295	-
Business-type Activities Long-term Liabilities	\$ 254,415,947	\$ 42,535,420	\$ (8,475,730)	\$ 288,475,637	\$ 7,417,194



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3      DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

Debt service requirements on long-term debt at June 30, 2010 are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 195,000	\$ 109,256	\$ 6,783,977	\$ 12,621,541
2012	205,000	101,229	8,940,663	12,339,430
2013	145,000	93,862	10,570,469	12,012,401
2014	150,000	87,963	10,886,976	11,675,501
2015	160,000	81,762	11,315,411	11,325,106
2016 - 2020	900,000	295,291	64,707,281	50,790,684
2021 - 2025	880,000	80,791	76,597,050	39,482,901
2026 -2030	-	-	66,852,616	26,853,495
2031 - 2035	-	-	69,398,815	13,889,325
2036 - 2040	-	-	46,019,763	2,994,265
	<u>\$ 2,635,000</u>	<u>\$ 850,154</u>	<u>\$ 372,073,021</u>	<u>\$ 193,984,649</u>

The \$372,073,021 principal amount above includes \$89,855,609 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2010.

**E. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that Lake Havasu City, Arizona place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,379,295 as of June 30, 2010, which is based on 40% usage of the landfill. It is estimated that an additional \$3,503,576 will be recognized as closure and postclosure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2040). The estimated total current cost of the landfill closure and postclosure care (\$5,882,871) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2010. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. No assets have been restricted for the payment of closure and postclosure costs as of June 30, 2010.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

Lake Havasu City, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Travelers Indemnity Company for potential worker related accidents. Settlements have not exceeded the City's coverage for the past three fiscal years.

During fiscal year 1995, the City established the Lake Havasu City Employee Benefit Trust (EBT) (an internal service fund) to account for and finance its uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents. The City purchases commercial insurance for claims in excess of coverage provided by the Trust. For the fiscal year ended June 30, 2010, the Employee Benefit Trust provided coverage for up to \$125,000 for each insured's health care claim with an additional \$29,000 in aggregate liability to the Trust for amounts over the \$125,000 threshold. Amounts in excess of these deductibles are commercially insured through a specific stop loss policy. No specific reimbursements for the year ended June 30, 2010 were due the Trust. Additionally, the Plan maintains an Aggregate stop loss policy with an annual reimbursable limit of \$1,000,000. Settled claims were less than the aggregate stop loss attachment point for the year ended June 30, 2010 thus no reimbursements were due the Trust under this policy.

All funds of the City participate in the program and make payments to the Employee Benefit Trust based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The claims liability reported at June 30, 2010 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. All claims booked as payable in EBT are incurred but not recorded and are anticipated to be paid in the next fiscal year. Changes in the claims liability amount for the years ended June 30, 2010 and 2009 were as follows:

	2010	2009
Claims Payable, Beginning of Year	\$ 567,000	\$ 505,000
Current Year Claims and Changes in Estimates	5,343,720	5,724,491
Claims Payments	(5,368,720)	(5,662,491)
Claims Payable, End of Year	<u>\$ 542,000</u>	<u>\$ 567,000</u>

**B. Contingent Liabilities**

**Lawsuits** - The City is a defendant in various lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City's attorney such matters will not have a material adverse effect on the City's financial position at June 30, 2010.

**C. Related Party Transactions**

The City expended \$78,543 for services from two electrical contractors which are partially owned by one of the City Council members. At June 30, 2010, the amount owed to this vendor was \$11,207 which is included in accounts payable in the HURF Fund.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4     OTHER INFORMATION**

**D. Subsequent Events**

The City closed on a Water Infrastructure Authority loan on July 16, 2010 in the amount of \$11,400,000. A portion of this loan (\$8,177,700) is forgivable by funds made available by the federal government under the American Recovery and Reinvestment Act (ARRA).

The WIFA loan authorizations of \$52,914,430, approved in August 2007, \$45,585,000, approved in October 2008, and \$5,147,488, approved in July 2009 were reduced to \$52,703,467 (August 2010), \$29,468,259 (September 2010), and \$4,900,833 (August 2010), respectively, at the City's request. The funding authorization was intended for the Wastewater System Expansion Project. The full funding amount was not needed to complete the respective phase of the project due to favorable contract negotiations and available funding in the Wastewater Fund.

Council adopted an ordinance on October 26, 2010 for the annexation of a portion of the property at The Refuge at Lake Havasu, which is currently located within the limits of Mohave County. This annexation will require the City to allocate a portion of their water allocation to the private water provider for this location. In addition, the City will enter into a development agreement with the property owner, City Center Executive Plaza, L.L.C.

In November 2010, citizens of Lake Havasu City, Arizona elected a new member to City Council to replace an outgoing incumbent. This new Councilmember will take office in January 2011.

**E. Retirement Plans**

**Arizona State Retirement System**

**Plan Descriptions** - Lake Havasu City, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and Lake Havasu City, Arizona's contribution rates. For the year ended June 30, 2010, active plan members were required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance and 0.4 percent for long-term disability) of the members' annual covered payroll. The City's contributions to ASRS were equal to the required contributions for each fiscal year.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

Arizona State Retirement System Contributions  
Last Three Fiscal Years

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>	<u>Percent of Required Contribution</u>
2008	\$ 1,540,098	\$ 200,938	\$ 95,694	100.0%
2009	1,565,339	204,231	97,262	100.0
2010	1,382,667	109,420	65,975	100.0

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement, death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, by calling (602) 255-5575 or at: [www.psprs.com](http://www.psprs.com).

**Funding Policy** - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 18.35 percent of annual covered payroll for police and 19.68 percent of annual covered payroll for fire.

**Annual Pension Cost** - During the year ended June 30, 2009 (the date of the latest available information), Lake Havasu City, Arizona's annual pension cost of \$1,322,880 for police and \$1,091,254 for fire was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2009, actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 3.0% per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**Funding Status and Funding Progress** - As of June 30, 2009, the most recent actuarial valuation date, the plan was 69.4% funded for police and 71.4% funded for fire. For police, the actuarial accrued liability for benefits was \$26.5 million, and the actuarial value of assets was \$18.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.1 million. For fire, the actuarial accrued liability for benefits was \$29.6 million, and the actuarial value of assets was \$21.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.0 million for police and \$4.5 million for fire, and the ratio of the UAAL to the covered payroll was 134.8% for police and 188.1% for fire.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 27 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**Lake Havasu City Police**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 578,055	100.0 %	\$ -
2008	838,855	100.0	-
2009	1,322,880	100.0	-

**Lake Havasu City Fire Fighters**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 418,343	100.0 %	\$ -
2008	869,756	100.0	-
2009	1,091,254	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on pages 78 - 79. Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

**Paid-On-Call (POC) Firefighters Pension Fund**

The following brief description of the Paid-on-call Firefighters' Pension Fund (Fund) is provided for general information purposes only. The Fund is a defined contribution pension plan. Reference is made to the Fund agreement for more complete information.

**General** - The Fund is a single-employer defined contribution pension plan which covered all paid on-call firefighters of Lake Havasu City, Arizona's Fire Department (the "Employer"). The Fund was a mandatory savings fund. Council approved termination of the Plan on December 11, 2007.

During the fiscal year ended June 30, 2010, there were no active paid-on-call firefighters. No contributions were made by employees or the employer.

All inactive participants with account balances remaining in the Plan at the time of plan termination received distributions of their individual account balances plus the employer contributions which were 100% vested. The remaining assets of the Plan are currently in final disposition and liquidation phase of their life cycle. These assets (when liquidated) will be distributed to those inactive participants with balances remaining in the Plan as of September 30, 2007.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4     OTHER INFORMATION (CONTINUED)**

**F. Other Postemployment Benefits**

During the fiscal year ended June 30, 2010, the City complied with Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of June 30, 2010.

**Plan Description** - The City provides other postemployment benefits for retirees. Active employees, who started before July 1, 2004, are eligible for medical coverage for themselves and their eligible dependent(s) under the City's health benefits program for a period not longer than ten (10) years after the date of retirement, until age 65 or Medicare eligible, or a covered dependent ceases to be an eligible dependent as defined under the Lake Havasu City Employee Benefit Trust Plan (LHCEBT).

Pursuant to the provisions of the plan, employees hired before July 1, 2004 may be retained on the City's health insurance plan, provided they make required premium contributions and comply with all other provisions of the LHCEBT, in accordance with the following provisions, with the condition that the employees have no vested rights:

- a) The employee must retire from Lake Havasu City, Arizona.
- b) Eligible employees have earned sixty (60) points, which is a combination of age and years of service with Lake Havasu City, Arizona.
- c) Eligible employees have worked a minimum of ten (10) years of full-time, benefit-eligible service with Lake Havasu City, Arizona.
- d) Eligible employees retire under the applicable Arizona State Retirement System and elect to receive the State health insurance subsidy.
- e) Retiree must elect to be retained on the Plan with no break in coverage following their retirement and must waive all rights to COBRA continuation coverage.

As of July 1, 2009 there were approximately 275 active participants and 60 retired participants receiving benefits from the City's health plans.

Other eligible active employees, who started on or after July 1, 2004, will be covered under a defined contribution Health Retirement Savings Plan adopted by Council on November 24, 2009. This plan will not generate any GASB 45 liability.

**Funding Policy** – The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2010, the City contributed \$354,740 to the plan.

**Annual OPEB Cost and Net OPEB Obligation** – The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Other Postemployment Benefits (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

Annual Required Contribution	\$ 1,040,138
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB cost (Expense)	1,040,138
Contributions Made	(354,738)
Increase in Net OPEB Obligation	685,400
Net OPEB Obligation-Beginning of Year	689,697
Net OPEB Obligation-End of Year	<u>\$ 1,375,097</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 969,102	28.8%	\$ 689,697
2010	1,040,137	34.1	1,375,097

**Funding Status and Funding Progress** - As of July 1, 2008, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$9.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.9 million and the ratio of the UAAL to the covered payroll was 47.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4     OTHER INFORMATION (CONTINUED)**

**F. Other Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions (Continued)**

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 8%, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2010, was 28 years.



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## **Required Supplementary Information**

**LAKE HAVASU CITY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

**Lake Havasu City Police**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>
2007	\$ 578,055	100.0 %
2008	838,855	100.0
2009	1,322,880	100.0

\* Includes insurance premium tax, where applicable.

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Over (Under) Funded AAL</u>	<u>Annual Covered Payroll</u>	<u>as a Percentage of Covered Payroll</u>
2007	\$ 15,063,144	\$ 24,222,493	62.2%	\$ (9,159,349)	\$ 5,671,479	(161.5)%
2008	16,686,011	25,574,703	65.2	(8,888,692)	6,349,025	(140.0)
2009	18,395,786	26,488,623	69.4	(8,092,837)	6,002,632	(134.8)

**LAKE HAVASU CITY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

**Lake Havasu City Fire Fighters**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>
2007	\$ 418,343	100.0 %
2008	869,756	100.0
2009	1,091,254	100.0

\* Includes insurance premium tax, where applicable.

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Over (Under) Funded AAL</u>	<u>Annual Covered Payroll</u>	<u>Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
2007	\$ 19,765,656	\$ 27,921,547	70.8%	\$ (8,155,891)	\$ 4,329,999	(188.4)%
2008	20,669,656	29,862,258	69.2	(9,192,602)	5,350,345	(171.8)
2009	21,111,450	29,557,447	71.4	(8,445,997)	4,490,899	(188.1)

**LAKE HAVASU CITY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS**

**Lake Havasu City Other Postemployment Benefits**

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2009	\$ -	\$ 9,877,174	-%	\$ (9,877,174)	\$ 20,880,821	(47.3)%
2010	-	10,580,736	-	(10,580,736)	17,519,891	(60.4)

**Schedule of Employer Contribution**

Fiscal Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	\$ 279,405	\$ 969,102	28.8%
2010	354,738	1,040,138	34.1

## **Combining and Individual Fund Statements and Schedules**

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## **NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS**

**Local Transportation Assistance Fund (Lottery)** - to account for the funds provided by the City's portion of the State Lottery Fund.

**Tourism/Economic Development Fund** - To account for expenditures made to promote, develop and enhance the tourism industry and economic development in the City. Financing is from a 3% citywide "Bed Tax" imposed on local hotel/motel establishments and a 1% restaurant and bar tax.

**Havasu Area Transit Fund** - To account for federal grants and City contributions to provide a low-cost, door-to-door demand response transportation and scheduled bus route services for the general public.

**Grants Fund** - To account for the activity of the miscellaneous federal and state grants.

**Community Development Block Grant (CDBG)/State Home Fund (Home)** - To account for Community Development Block Grants and State Home Fund monies, which are federal and state funds to be used for the development of viable urban communities, decent housing and a suitable living environment, and expanded economic opportunities.

**Improvement District No. 1 Fund** - To account for maintenance and improvements to the gas lights along the residential area of London Bridge Golf Course. Financing is provided through the assessment of property taxes.

**Improvement District No. 2 Fund** - To account for maintenance and improvements to the London Bridge shopping area. Financing is provided through the assessment of property taxes.

**Improvement District No. 4 Fund** - To account for maintenance and improvements to the gas lights, utility service, and median center of the lower McCulloch Boulevard Business District. Financing is provided through the assessment of property taxes.

**Special Programs Fund** - To account for the activity of various City programs funded with program generated revenues and outside agency contributions.



**LAKE HAVASU CITY, ARIZONA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	Special Revenue				
	Lottery	Tourism/ Economic Development	Havasu Area Transit	Grants	CDBG/Home
<b>Assets</b>					
Cash and Investments	\$ -	\$ 202,849	\$ -	\$ 142,703	\$ -
Receivables					
Accounts Receivable	-	162	1,400	-	-
Taxes Receivable	-	-	-	-	-
Intergovernmental Receivable	-	76,703	280,442	11,387	133,535
Prepaid Items	-	-	3,148	-	-
Total Assets	<u>\$ -</u>	<u>\$ 279,714</u>	<u>\$ 284,990</u>	<u>\$ 154,090</u>	<u>\$ 133,535</u>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts Payable	\$ -	\$ 55	\$ 10,358	\$ 369	\$ 33,301
Accrued Wages and Benefits	-	-	54,789	-	-
Intergovernmental Payable	-	-	-	-	-
Due to Other Funds	-	-	160,822	-	99,056
Deferred Revenue	-	-	540	153,721	-
Total Liabilities	<u>-</u>	<u>55</u>	<u>226,509</u>	<u>154,090</u>	<u>132,357</u>
Fund Balance					
Reserved for Prepaid Items	-	-	3,148	-	-
Unreserved	-	279,659	55,333	-	1,178
Total Fund Balance	<u>-</u>	<u>279,659</u>	<u>58,481</u>	<u>-</u>	<u>1,178</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 279,714</u>	<u>\$ 284,990</u>	<u>\$ 154,090</u>	<u>\$ 133,535</u>

Special Revenue				
Improvement District No. 1	Improvement District No. 2	Improvement District No. 4	Special Programs	Total Nonmajor Governmental Funds
\$ 30,231	\$ 49,140	\$ 13,796	\$ 409,196	\$ 847,915
-	-	-	-	1,562
5,654	3,124	1,317	-	10,095
3,862	1,022	763	20,860	528,574
-	-	-	-	3,148
<u>\$ 39,747</u>	<u>\$ 53,286</u>	<u>\$ 15,876</u>	<u>\$ 430,056</u>	<u>\$ 1,391,294</u>
\$ 11,261	\$ 741	\$ 174	\$ 2,594	\$ 58,853
-	-	-	-	54,789
-	-	-	9,552	9,552
-	-	-	-	259,878
<u>1,390</u>	<u>1,853</u>	<u>703</u>	<u>-</u>	<u>158,207</u>
<u>12,651</u>	<u>2,594</u>	<u>877</u>	<u>12,146</u>	<u>541,279</u>
-	-	-	-	3,148
<u>27,096</u>	<u>50,692</u>	<u>14,999</u>	<u>417,910</u>	<u>846,867</u>
<u>27,096</u>	<u>50,692</u>	<u>14,999</u>	<u>417,910</u>	<u>850,015</u>
<u>\$ 39,747</u>	<u>\$ 53,286</u>	<u>\$ 15,876</u>	<u>\$ 430,056</u>	<u>\$ 1,391,294</u>

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Special Revenue			
	Lottery	Tourism/ Economic Development	Havasu Area Transit	Grants
Revenue				
Taxes				
Sales Taxes	\$ -	\$ 1,351,480	\$ -	\$ -
Property Taxes	-	-	-	-
Intergovernmental Revenue	133,847	-	1,133,901	573,542
Fines and Forfeitures	-	-	-	-
Charges for Services	-	-	98,782	-
Contributions and Donations	-	-	-	-
Investment Earnings	-	-	-	-
Other	-	-	4,387	-
Total Revenue	<u>133,847</u>	<u>1,351,480</u>	<u>1,237,070</u>	<u>573,542</u>
Expenditures				
Current				
General Government	-	-	-	15,862
Public Safety	-	-	-	557,680
Highways and Streets	10,514	-	-	-
Culture and Recreation	-	-	-	-
Tourism and Promotion	-	1,356,746	-	-
Transportation Services	-	-	1,605,268	-
Total Expenditures	<u>10,514</u>	<u>1,356,746</u>	<u>1,605,268</u>	<u>573,542</u>
Excess (Deficiency) of Revenue Over				
Expenditures	<u>123,333</u>	<u>(5,266)</u>	<u>(368,198)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	-	-	401,333	-
Transfers Out	<u>(123,333)</u>	<u>-</u>	<u>(687)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(123,333)</u>	<u>-</u>	<u>400,646</u>	<u>-</u>
Net Change in Fund Balance	-	(5,266)	32,448	-
Fund Balance				
Beginning of Year	<u>-</u>	<u>284,925</u>	<u>26,033</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ 279,659</u>	<u>\$ 58,481</u>	<u>\$ -</u>

Special Revenue					
CDBG/Home	Improvement District No. 1	Improvement District No. 2	Improvement District No. 4	Special Programs	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,351,480
-	149,294	15,961	54,817	-	220,072
545,934	-	-	-	172,281	2,559,505
-	-	-	-	84,178	84,178
-	-	-	-	12,300	111,082
-	-	-	-	6,939	6,939
-	-	16	43	-	59
-	-	-	-	1,605	5,992
545,934	149,294	15,977	54,860	277,303	4,339,307
544,756	129,369	13,171	54,656	-	757,814
-	-	-	-	113,896	671,576
-	-	-	-	-	10,514
-	-	-	-	4,905	4,905
-	-	-	-	-	1,356,746
-	-	-	-	-	1,605,268
544,756	129,369	13,171	54,656	118,801	4,406,823
1,178	19,925	2,806	204	158,502	(67,516)
-	-	-	-	-	401,333
-	-	-	-	(87,600)	(211,620)
-	-	-	-	(87,600)	189,713
1,178	19,925	2,806	204	70,902	122,197
-	7,171	47,886	14,795	347,008	727,818
\$ 1,178	\$ 27,096	\$ 50,692	\$ 14,999	\$ 417,910	\$ 850,015

**LAKE HAVASU CITY, ARIZONA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Special Assessments	\$ 193,300	\$ 68,996	\$ (124,304)
Investment Earnings	500	41	(459)
Total Revenue	<u>193,800</u>	<u>69,037</u>	<u>(124,763)</u>
Expenditures			
Debt Service			
Principal Retirement	290,000	165,000	125,000
Interest on Long-Term Debt	<u>116,225</u>	<u>115,351</u>	<u>874</u>
Total Expenditures	<u>406,225</u>	<u>280,351</u>	<u>125,874</u>
Excess (Deficiency) of Revenue Over Expenditures	(212,425)	(211,314)	1,111
Other Financing Sources (Uses)			
Transfers In	<u>211,675</u>	<u>211,675</u>	<u>-</u>
Net Change in Fund Balance	(750)	361	1,111
Fund Balance			
Beginning of Year	<u>39,350</u>	<u>49,670</u>	<u>10,320</u>
End of Year	<u>\$ 38,600</u>	<u>\$ 50,031</u>	<u>\$ 11,431</u>

**LAKE HAVASU CITY, ARIZONA  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Revenue	\$ 24,917,230	\$ 24,917,230	\$ 3,672,012	\$ (21,245,218)
Contributions and Donations	339,202	339,202	-	(339,202)
Impact Fees	74,000	74,000	318,232	244,232
Investment Earnings	23,500	23,500	12,368	(11,132)
Other	-	-	23	23
Total Revenue	25,353,932	25,353,932	4,002,635	(21,351,297)
Expenditures				
Capital Outlay	31,339,011	31,189,011	1,187,425	30,001,586
Excess (Deficiency) of Revenue Over Expenditures	(5,985,079)	(5,835,079)	2,815,210	8,650,289
Other Financing Sources (Uses)				
Transfers In	5,323,871	6,011,020	810,943	(5,200,077)
Transfers Out	(600,000)	(600,000)	(600,000)	-
Total Other Financing Sources (Uses)	4,723,871	5,411,020	210,943	(5,200,077)
Special Item				
Sale of Capital Assets	100,000	100,000	-	(100,000)
Net Change in Fund Balance	(1,161,208)	(324,059)	3,026,153	3,350,212
Fund Balance				
Beginning of Year	5,912,332	5,912,332	6,444,484	532,152
End of Year	\$ 4,751,124	\$ 5,588,273	\$ 9,470,637	\$ 3,882,364

**LAKE HAVASU CITY, ARIZONA**  
**LOTTERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 241,788	\$ 133,847	\$ (107,941)
Expenditures			
Current			
Highways and Streets	57,744	10,514	47,230
Excess (Deficiency) of Revenue Over Expenditures	184,044	123,333	(60,711)
Other Financing Sources (Uses)			
Transfers Out	(185,000)	(123,333)	(61,667)
Net Change in Fund Balance	(956)	-	956
Fund Balance			
Beginning of Year	4,409	-	(4,409)
End of Year	\$ 3,453	\$ -	\$ (3,453)

**LAKE HAVASU CITY, ARIZONA**  
**TOURISM/ECONOMIC DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Sales Taxes	\$ 1,625,000	\$ 1,351,480	\$ (273,520)
 Expenditures			
Current			
Tourism and Promotion	<u>1,725,000</u>	<u>1,356,746</u>	<u>368,254</u>
 Excess (Deficiency) of Revenue Over Expenditures	(100,000)	(5,266)	94,734
 Fund Balance			
Beginning of Year	<u>305,165</u>	<u>284,925</u>	<u>(20,240)</u>
End of Year	<u>\$ 205,165</u>	<u>\$ 279,659</u>	<u>\$ 74,494</u>



**LAKE HAVASU CITY, ARIZONA  
HAVASU AREA TRANSIT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 1,358,547	\$ 1,133,901	\$ (224,646)
Charges for Services	125,200	98,782	(26,418)
Other	-	4,387	4,387
Total Revenue	<u>1,483,747</u>	<u>1,237,070</u>	<u>(246,677)</u>
Expenditures			
Current			
Transportation Services	<u>1,927,793</u>	<u>1,605,268</u>	<u>322,525</u>
Excess (deficiency) of revenues over expenditures	(444,046)	(368,198)	75,848
Other Financing Sources (Uses)			
Transfers In	470,000	401,333	(68,667)
Transfers Out	<u>(1,124)</u>	<u>(687)</u>	<u>(437)</u>
Total Other Financing Sources (Uses)	<u>468,876</u>	<u>400,646</u>	<u>(69,104)</u>
Net Change in Fund Balance	24,830	32,448	6,744
Fund Balance			
Beginning of Year	<u>7,115</u>	<u>26,033</u>	<u>18,918</u>
End of Year	<u>\$ 31,945</u>	<u>\$ 58,481</u>	<u>\$ 25,662</u>

**LAKE HAVASU CITY, ARIZONA**  
**GRANTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 799,673	\$ 573,542	\$ (226,131)
Total Revenue	799,673	573,542	(226,131)
Expenditures			
Current			
General Government	-	15,862	(15,862)
Public Safety	819,673	557,680	261,993
Total Expenditures	819,673	573,542	246,131
Excess (Deficiency) of Revenues Over Expenditures	(20,000)	-	20,000
Fund Balance			
Beginning of Year	9,248	-	(9,248)
End of Year	\$ (10,752)	\$ -	\$ 10,752

**LAKE HAVASU CITY, ARIZONA**  
**CDBG / HOME FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 3,963,609	\$ 545,934	\$ (3,417,675)
Expenditures			
Current			
General Government	3,963,609	544,756	3,418,853
Excess (Deficiency) of Revenue Over Expenditures	-	1,178	1,178
Fund Balance			
Beginning of Year	-	-	-
End of Year	\$ -	\$ 1,178	\$ 1,178

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 1 FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Property Taxes	\$ 150,000	\$ 149,294	\$ (706)
Total Revenue	<u>150,000</u>	<u>149,294</u>	<u>(706)</u>
Expenditures			
Current			
General Government	<u>152,270</u>	<u>129,369</u>	<u>22,901</u>
Excess (Deficiency) of Revenue Over Expenditures	(2,270)	19,925	22,195
Fund Balance			
Beginning of Year	<u>3,124</u>	<u>7,171</u>	<u>4,047</u>
End of Year	<u>\$ 854</u>	<u>\$ 27,096</u>	<u>\$ 26,242</u>

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 2 FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Property Taxes	\$ 15,000	\$ 15,961	\$ 961
Investment Earnings	-	16	16
Total Revenue	<u>15,000</u>	<u>15,977</u>	<u>977</u>
Expenditures			
Current			
General Government	<u>23,855</u>	<u>13,171</u>	<u>10,684</u>
Excess (Deficiency) of Revenue Over Expenditures	(8,855)	2,806	11,661
Fund Balance			
Beginning of Year	<u>48,657</u>	<u>47,886</u>	<u>(771)</u>
End of Year	<u>\$ 39,802</u>	<u>\$ 50,692</u>	<u>\$ 10,890</u>

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 4 FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Property taxes	\$ 55,000	\$ 54,817	\$ (183)
Investment earnings	-	43	43
Total Revenue	<u>55,000</u>	<u>54,860</u>	<u>(140)</u>
Expenditures			
Current			
General Government	<u>62,823</u>	<u>54,656</u>	<u>8,167</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,823)	204	(8,307)
Fund Balance			
Beginning of Year	<u>11,845</u>	<u>14,795</u>	<u>2,950</u>
End of Year	<u>\$ 4,022</u>	<u>\$ 14,999</u>	<u>\$ (5,357)</u>

**LAKE HAVASU CITY, ARIZONA**  
**SPECIAL PROGRAMS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 187,500	\$ 172,281	\$ (15,219)
Fines and Forfeitures	80,350	84,178	3,828
Charges for Services	11,000	12,300	1,300
Contributions and Donations	4,500	6,939	2,439
Other	-	1,605	1,605
Total Revenue	<u>283,350</u>	<u>277,303</u>	<u>(6,047)</u>
Expenditures			
Current			
Public Safety	175,750	113,896	61,854
Culture and Recreation	20,000	4,905	15,095
Total Expenditures	<u>195,750</u>	<u>118,801</u>	<u>76,949</u>
Excess (Deficiency) of Revenues Over Expenditures	87,600	158,502	70,902
Other Financing Sources (Uses)			
Transfers Out	<u>(87,600)</u>	<u>(87,600)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(87,600)</u>	<u>(87,600)</u>	<u>-</u>
Net Change in Fund Balance	-	70,902	70,902
Fund Balance			
Beginning of Year	<u>336,446</u>	<u>347,008</u>	<u>10,562</u>
End of Year	<u>\$ 336,446</u>	<u>\$ 417,910</u>	<u>\$ 81,464</u>

**NONMAJOR BUSINESS-TYPE ACTIVITIES FUNDS  
ENTERPRISE FUNDS**

**Refuse Fund** - To account for the operation of the City's waste hauling services and landfill.

**Recreation/Aquatic Center Fund** - To account for the operation of the City's aquatic center.

**Airport Fund** - To account for the activities of the City's airport.



**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2010**

	Refuse	Recreation/ Aquatic Center	Airport	Total
<b>Assets</b>				
Current Assets				
Cash and Cash Equivalents	\$ 6,423,267	\$ 100,769	\$ 267,847	\$ 6,791,883
Receivables, Net				
Accounts Receivable	327,124	2,661	25,767	355,552
Intergovernmental Receivable	-	-	8,820	8,820
Inventory	-	3,035	-	3,035
Prepaid Items	-	6,537	7,411	13,948
Restricted Assets	-	-	25,970	25,970
Total Current Assets	<u>6,750,391</u>	<u>113,002</u>	<u>335,815</u>	<u>7,199,208</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable	-	-	1,138,667	1,138,667
Depreciable (Net)	<u>163,603</u>	<u>4,694,438</u>	<u>17,270,493</u>	<u>22,128,534</u>
Total Noncurrent Assets	<u>163,603</u>	<u>4,694,438</u>	<u>18,409,160</u>	<u>23,267,201</u>
Total Assets	<u>6,913,994</u>	<u>4,807,440</u>	<u>18,744,975</u>	<u>30,466,409</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	413,444	17,408	3,309	434,161
Accrued Wages and Benefits	-	29,704	17,205	46,909
Intergovernmental Payable	-	613	-	613
Interest Payable	322	-	518	840
Deferred Revenue	-	19,663	5,469	25,132
Liabilities Payable from Restricted Assets	-	-	25,970	25,970
Compensated Absences	-	8,774	10,190	18,964
Other Postemployment Benefits	-	-	6,358	6,358
Capital Leases Payable	<u>45,185</u>	<u>-</u>	<u>55,555</u>	<u>100,740</u>
Total Current Liabilities	<u>458,951</u>	<u>76,162</u>	<u>124,574</u>	<u>659,687</u>
Noncurrent Liabilities				
Compensated Absences	-	6,037	7,158	13,195
Landfill Closure and Postclosure Care Costs	2,379,295	-	-	2,379,295
Capital Leases Payable	61,875	-	114,453	176,328
Other Postemployment Benefits	<u>-</u>	<u>4,886</u>	<u>3,896</u>	<u>8,782</u>
Total Noncurrent Liabilities	<u>2,441,170</u>	<u>10,923</u>	<u>125,507</u>	<u>2,577,600</u>
Total Liabilities	<u>2,900,121</u>	<u>87,085</u>	<u>250,081</u>	<u>3,237,287</u>
<b>Net assets</b>				
Invested in Capital Assets, Net of Related Debt	56,543	4,694,438	18,239,152	22,990,133
Unrestricted	<u>3,957,330</u>	<u>25,917</u>	<u>255,742</u>	<u>4,238,989</u>
Total Net Assets	<u>\$ 4,013,873</u>	<u>\$ 4,720,355</u>	<u>\$ 18,494,894</u>	<u>\$ 27,229,122</u>

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Total Nonmajor Business-Type Activities</u>
Operating Revenue				
Charges for Services	\$ 1,186,573	\$ 348,778	\$ 535,677	\$ 2,071,028
Operating Expenses				
Costs of Sales and Services	1,001,707	883,283	630,674	2,515,664
Depreciation	<u>74,049</u>	<u>195,941</u>	<u>753,133</u>	<u>1,023,123</u>
Total Operating Expenses	<u>1,075,756</u>	<u>1,079,224</u>	<u>1,383,807</u>	<u>3,538,787</u>
Operating Income (Loss)	<u>110,817</u>	<u>(730,446)</u>	<u>(848,130)</u>	<u>(1,467,759)</u>
Nonoperating Revenues (Expenses)				
Interest Earnings	28,307	7	-	28,314
Interest Expense	(5,620)	-	(7,511)	(13,131)
Other Income	<u>7,362</u>	<u>1,026</u>	<u>589,946</u>	<u>598,334</u>
Total Nonoperating Revenue (Expenses)	<u>30,049</u>	<u>1,033</u>	<u>582,435</u>	<u>613,517</u>
Income (Loss) Before Contributions and Transfers	140,866	(729,413)	(265,695)	(854,242)
Capital Contributions	-	-	55,895	55,895
Transfers In	-	493,500	31,799	525,299
Transfers Out	<u>(197,020)</u>	<u>-</u>	<u>(589,946)</u>	<u>(786,966)</u>
Change in Net Assets	<u>(56,154)</u>	<u>(235,913)</u>	<u>(767,947)</u>	<u>(1,060,014)</u>
Net Assets				
Beginning of Year	<u>4,070,027</u>	<u>4,956,268</u>	<u>19,262,841</u>	<u>28,289,136</u>
End of Year	<u>\$ 4,013,873</u>	<u>\$ 4,720,355</u>	<u>\$ 18,494,894</u>	<u>\$ 27,229,122</u>

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from Customers	\$ 1,226,208	\$ 350,030	\$ 505,280	\$ 2,081,518
Payments to Suppliers	(880,478)	(363,870)	(270,505)	(1,514,853)
Payments to Employees	-	(512,144)	(354,432)	(866,576)
Other Nonoperating Receipts	152	1,026	242	1,420
Customer Deposits (Payments)	-	-	45	45
Net Cash Flows from (used by)				
Operating Activities	<u>345,882</u>	<u>(524,958)</u>	<u>(119,370)</u>	<u>(298,446)</u>
Cash Flows from Noncapital				
Financing Activities				
Transfers In	-	493,500	31,799	525,299
Transfers Out	<u>(197,020)</u>	<u>-</u>	<u>(589,946)</u>	<u>(786,966)</u>
Net Cash Flows from (used by)				
Noncapital Financing Activities	<u>(197,020)</u>	<u>493,500</u>	<u>(558,147)</u>	<u>(261,667)</u>
Cash Flows from Capital and				
Financing Activities				
Proceeds from Capital Debt	-	-	-	-
Capital Grants and Contributions	-	-	142,177	142,177
Purchases of Capital Assets	-	-	(35,985)	(35,985)
Principal Paid on Capital Debt	(77,395)	-	(53,592)	(130,987)
Interest Paid on Capital Debt	(5,839)	-	(7,673)	(13,512)
Proceeds from Sale of Capital Assets	<u>7,362</u>	<u>-</u>	<u>651,000</u>	<u>658,362</u>
Net Cash Flows from (used by)				
Capital and Financing Activities	<u>(75,872)</u>	<u>-</u>	<u>695,927</u>	<u>620,055</u>
Cash Flows from Investing Activities				
Interest and Dividends	<u>57,805</u>	<u>7</u>	<u>-</u>	<u>57,812</u>
Net Change in Cash and Cash				
Equivalents	130,795	(31,451)	18,410	117,754
Cash and Cash Equivalents, Beginning				
of Year	<u>6,292,472</u>	<u>132,220</u>	<u>275,407</u>	<u>6,700,099</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,423,267</u></u>	<u><u>\$ 100,769</u></u>	<u><u>\$ 293,817</u></u>	<u><u>\$ 6,817,853</u></u>

Note: Cash and Cash Equivalents, End of Year on Statement of Cash Flows reflects the total of Cash and Cash Equivalents and Restricted Assets on the Statement of Net Assets.

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Totals</u>
(Concluded)				
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities				
Operating Income (Loss)	\$ 110,817	\$ (730,446)	\$ (848,130)	\$ (1,467,759)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities				
Depreciation	74,049	195,941	753,133	1,023,123
Other Nonoperating Receipts (Expenses)	-	1,026	-	1,026
Change in Assets/Liabilities:				
Receivables, Net	39,787	(834)	(13,310)	25,643
Inventories	-	(434)	-	(434)
Prepaid Items	-	45	1,199	1,244
Accounts Payable	4,443	(1,084)	1,296	4,655
Intergovernmental Payable	-	2,086	(16,845)	(14,759)
Accrued Wages and Benefits	-	(277)	(11,837)	(12,114)
Compensated Absences	-	6,037	11,873	17,910
Deferred Revenue	-	2,982	-	2,982
Customer Deposits Payable	-	-	45	45
Other Postemployment Benefits	-	-	3,206	3,206
Landfill Closure and Postclosure Care Costs	<u>116,786</u>	<u>-</u>	<u>-</u>	<u>116,786</u>
Net Cash from (used by) Operating Activities	<u>\$ 345,882</u>	<u>\$ (524,958)</u>	<u>\$ (119,370)</u>	<u>\$ (298,446)</u>

**Noncash Investing, Capital and Financing Activities**

The City received a capital asset contribution from the Partnership for Economic Development (PED) of improvements to the Air Industrial Park totaling \$21,709 in the Airport Fund. The difference in the amount presented in the Statement of Cash Flows is the change in accounts receivable for capital grants between current and prior fiscal year of \$107,991.

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## **INTERNAL SERVICE FUNDS**

**Vehicle Replacement Fund** - To account for the City's vehicle and equipment replacement program.

**Employee Benefit Trust Fund** - To account for the City's uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents.

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2010**

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 4,063,517	\$ 5,721,442	\$ 9,784,959
Receivables, Net			
Accounts Receivable	-	21,597	21,597
Prepaid Items	-	41,935	41,935
Total Current Assets	<u>4,063,517</u>	<u>5,784,974</u>	<u>9,848,491</u>
Noncurrent Assets			
Capital Assets			
Depreciable (net)	<u>1,181,056</u>	<u>-</u>	<u>1,181,056</u>
Total Assets	<u>5,244,573</u>	<u>5,784,974</u>	<u>11,029,547</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	-	1,011	1,011
Claims Payable	-	542,000	542,000
Total Current Liabilities	<u>-</u>	<u>543,011</u>	<u>543,011</u>
Total Liabilities	<u>-</u>	<u>543,011</u>	<u>543,011</u>
<b>Net Assets</b>			
Unrestricted	<u>5,244,573</u>	<u>5,241,963</u>	<u>10,486,536</u>
Total Net Assets	<u><u>\$ 5,244,573</u></u>	<u><u>\$ 5,241,963</u></u>	<u><u>\$ 10,486,536</u></u>

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
Operating Revenue			
Charges for Services	\$ 6,218	\$ -	\$ 6,218
Premiums	-	5,720,164	5,720,164
Total Operating Revenues	<u>6,218</u>	<u>5,720,164</u>	<u>5,726,382</u>
Operating Expenses			
Premiums	-	391,510	391,510
Administration	20	395,143	395,163
Benefits	-	5,343,720	5,343,720
Depreciation	256,393	-	256,393
Total Operating Expenses	<u>256,413</u>	<u>6,130,373</u>	<u>6,386,786</u>
Operating Income (Loss)	<u>(250,195)</u>	<u>(410,209)</u>	<u>(660,404)</u>
Nonoperating revenues (Expense)			
Investment Earnings	31,753	9,160	40,913
Other Income	11,725	4,399	16,124
Total Nonoperating Revenue (expenses)	<u>43,478</u>	<u>13,559</u>	<u>57,037</u>
Change in Net Assets	(206,717)	(396,650)	(603,367)
Net Assets			
Beginning of Year	<u>5,451,290</u>	<u>5,638,613</u>	<u>11,089,903</u>
End of Year	<u>\$ 5,244,573</u>	<u>\$ 5,241,963</u>	<u>\$ 10,486,536</u>



**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 6,218	\$ 5,718,668	\$ 5,724,886
Payments to Suppliers	(20)	(6,173,326)	(6,173,346)
Other Nonoperating Receipts	11,725	4,399	16,124
Net Cash Flows from (used by) Operating Activities	<u>17,923</u>	<u>(450,259)</u>	<u>(432,336)</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	(471,222)	-	(471,222)
Cash Flows from Investing Activities			
Interest and Dividends	45,671	18,353	64,024
Net Change in Cash and Cash Equivalents	(407,628)	(431,906)	(839,534)
Cash and Cash Equivalents, Beginning of Year	<u>4,471,145</u>	<u>6,153,348</u>	<u>10,624,493</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,063,517</u></u>	<u><u>\$ 5,721,442</u></u>	<u><u>\$ 9,784,959</u></u>
Reconciliation of Operating Loss to Net Cash from (used by) Operating Activities			
Operating Income (Loss)	\$ (250,195)	\$ (410,209)	\$ (660,404)
Adjustments to Reconcile Operating Loss to Net Cash from (used by) Operating Activities:			
Depreciation	256,393	-	256,393
Other Nonoperating Receipts (Expenses)	11,725	4,399	16,124
Change in Assets/Liabilities:			
Receivables, Net	-	(4,773)	(4,773)
Prepaid Items	-	(13,551)	(13,551)
Accounts Payable	-	(1,125)	(1,125)
Claims Payable	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net Cash from (used by) Operating Activities	<u><u>\$ 17,923</u></u>	<u><u>\$ (450,259)</u></u>	<u><u>\$ (432,336)</u></u>

## STATISTICAL SECTION

This part of the City of Lake Havasu City, Arizona's, comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Financial Trends** - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity** - These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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**LAKE HAVASU CITY, ARIZONA  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 36,170,959	\$ 44,518,547	\$ 46,769,169	\$ 49,705,688	\$ 69,549,691	\$ 84,717,176	\$ 89,771,829	\$ 86,672,300
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264	12,583,976
Unrestricted	20,875,610	19,298,873	18,947,577	24,154,802	30,241,127	25,019,618	19,192,814	18,837,995
Total Governmental Activities Net Assets	<u>\$ 61,802,568</u>	<u>\$ 69,667,233</u>	<u>\$ 72,612,641</u>	<u>\$ 83,935,583</u>	<u>\$ 109,263,924</u>	<u>\$ 117,239,298</u>	<u>\$ 116,877,907</u>	<u>\$ 118,094,271</u>
Business-type Activities								
Invested in Capital Assets, Net of Related Debt	\$ 96,686,600	\$ 98,939,694	\$ 106,779,037	\$ 143,521,523	\$ 135,934,350	\$ 147,265,013	\$ 120,519,205	\$ 128,661,852
Restricted	-	-	-	-	-	-	-	-
Unrestricted	14,325,762	23,289,617	29,642,653	8,508,879	32,101,132	33,854,356	71,808,903	81,173,618
Total Business-type Activities Net Assets	<u>\$ 111,012,362</u>	<u>\$ 122,229,311</u>	<u>\$ 136,421,690</u>	<u>\$ 152,030,402</u>	<u>\$ 168,035,482</u>	<u>\$ 181,119,369</u>	<u>\$ 192,328,108</u>	<u>\$ 209,835,470</u>
Primary Government								
Invested in Capital Assets, Net of Related Debt	\$ 132,857,559	\$ 143,458,241	\$ 153,548,206	\$ 193,227,211	\$ 205,484,041	\$ 231,982,189	\$ 210,291,034	\$ 215,334,152
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264	12,583,976
Unrestricted	35,201,372	42,588,490	48,590,230	32,663,681	62,342,259	58,873,974	91,001,717	100,011,613
Total Primary Government Net Assets	<u>\$ 172,814,930</u>	<u>\$ 191,896,544</u>	<u>\$ 209,034,331</u>	<u>\$ 235,965,985</u>	<u>\$ 277,299,406</u>	<u>\$ 298,358,667</u>	<u>\$ 309,206,015</u>	<u>\$ 327,929,741</u>

Source: Lake Havasu City, Arizona's Finance Department.

Note: Fiscal year 2002-03 was the City's first year to prepare government-wide financial statements

**LAKE HAVASU CITY, ARIZONA  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental Activities:								
General Government	\$ 7,158,240	\$ 8,476,152	\$ 8,368,982	\$ 8,659,589	\$ 8,939,846	\$ 11,443,459	\$ 11,587,628	\$ 11,523,143
Public Safety	13,067,015	14,960,107	16,646,139	18,067,192	21,061,456	24,929,038	24,101,607	22,048,520
Highways and Streets	6,197,856	6,445,426	7,214,688	6,167,089	8,150,105	7,785,062	7,212,143	5,425,314
Transportation Services	1,518,401	1,761,356	1,796,054	1,888,322	1,841,324	2,236,456	2,081,649	1,820,974
Tourism and Promotion	1,201,872	1,264,920	1,398,228	1,529,094	1,577,687	1,582,985	1,357,250	1,357,407
Culture and Recreation	3,262,316	3,724,502	4,533,104	4,566,607	5,005,653	5,708,732	5,560,189	4,590,764
Interest on Long-Term Debt	903,514	732,398	581,320	450,892	314,557	192,875	126,647	115,351
Total Governmental Activities	33,309,214	37,364,861	40,538,515	41,328,785	46,890,628	53,878,607	52,027,113	46,881,473
Business-type Activities:								
Refuse	384,014	395,178	433,897	437,916	432,118	796,755	788,325	1,081,376
Recreation / Aquatic Center	1,118,978	1,165,795	1,220,529	1,182,535	1,293,160	1,421,768	1,238,856	1,079,224
Irrigation and Drainage	6,967,361	7,424,603	9,452,177	9,852,891	10,545,850	12,082,578	11,865,294	10,220,643
Wastewater	4,545,242	6,395,900	7,308,945	9,426,955	9,824,124	12,244,284	14,776,656	15,205,648
Airport	1,650,741	2,128,119	1,499,059	1,518,477	1,578,872	1,569,121	1,638,496	1,391,318
Total Business-type Activities	14,666,336	17,509,595	19,914,607	22,418,774	23,674,124	28,114,506	30,307,627	28,978,209
Total Primary Government Expenses	<u>\$ 47,975,550</u>	<u>\$ 54,874,456</u>	<u>\$ 60,453,122</u>	<u>\$ 63,747,559</u>	<u>\$ 70,564,752</u>	<u>\$ 81,993,113</u>	<u>\$ 82,334,740</u>	<u>\$ 75,859,682</u>
<b>Program Revenues</b>								
Governmental Activities:								
Fines, Fees and Charges for Services:								
General Government	\$ 4,201,970	\$ 4,362,919	\$ 4,312,475	\$ 5,419,483	\$ 4,591,229	\$ 3,803,583	\$ 2,714,374	\$ 2,883,613
Public Safety	109,301	122,690	145,296	150,248	131,148	161,717	110,643	138,856
Highways and Streets	74,765	28,743	39,402	23,773	105,697	7,880	105,763	26,885
Culture and Recreation	551,332	575,014	551,165	635,464	654,523	670,950	535,640	639,748
Transportation Services	336,825	382,816	367,310	354,059	171,779	91,617	102,469	103,165
Interest	66,728	41,746	80,978	-	16,040	29,091	3,201	7,308
Operating Grants and Contributions	5,289,206	5,817,861	6,874,258	6,938,568	8,737,113	9,255,906	7,093,164	7,656,464
Capital Grants and Contributions	868,693	4,697,048	367,726	643,939	17,022,840	6,215,355	7,088,714	3,672,012
Total Governmental Activities Program Revenues	<u>11,498,820</u>	<u>16,028,837</u>	<u>12,738,610</u>	<u>14,165,534</u>	<u>31,430,369</u>	<u>20,236,099</u>	<u>17,753,968</u>	<u>15,128,051</u>

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Business-type Activities:								
Charges for Services:								
Refuse	\$ 744,172	\$ 847,270	\$ 917,215	\$ 967,991	\$ 1,042,200	\$ 1,269,783	\$ 1,180,596	\$ 1,193,935
Recreation / Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782	376,044	349,804
Irrigation and Drainage	9,556,571	11,187,833	11,945,099	12,322,158	12,690,337	11,590,238	11,000,962	11,299,977
Wastewater	4,107,757	4,441,473	5,110,191	7,333,204	11,071,344	13,331,015	14,514,990	16,836,789
Airport	443,613	484,506	545,364	551,921	557,926	581,215	534,797	1,125,623
Operating Grants and Contributions	1,185,737	1,247,605	1,360,656	1,908,002	85,129	1,000	46,076	25,000
Capital Grants and Contributions	2,871,542	4,235,562	6,552,540	7,320,449	6,569,117	9,196,982	7,112,526	10,373,301
Total Business-type Activities Program Revenues	19,321,742	22,901,468	26,853,344	30,832,947	32,513,895	36,404,015	34,765,991	41,204,429
Total Primary Government Program Revenues	<u>\$ 30,820,562</u>	<u>\$ 38,930,305</u>	<u>\$ 39,591,954</u>	<u>\$ 44,998,481</u>	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,480</u>
Net (Expense)/Revenue								
Governmental Activities	\$ (21,810,394)	\$ (21,336,024)	\$ (27,799,905)	\$ (27,163,251)	\$ (15,460,259)	\$ (33,642,508)	\$ (34,273,145)	\$ (31,753,421)
Business-type Activities	4,655,406	5,391,873	6,938,737	8,414,173	8,839,771	8,289,509	4,458,364	12,226,220
Total Primary Government Net Expense	<u>\$ (17,154,988)</u>	<u>\$ (15,944,151)</u>	<u>\$ (20,861,168)</u>	<u>\$ (18,749,078)</u>	<u>\$ (6,620,488)</u>	<u>\$ (25,352,999)</u>	<u>\$ (29,814,781)</u>	<u>\$ (19,527,201)</u>
<b>General Revenues and Other</b>								
<b>Changes in Net Assets</b>								
Governmental Activities:								
Taxes:								
Sales Taxes	\$ 17,455,115	\$ 19,055,160	\$ 20,558,443	\$ 22,880,568	\$ 21,552,577	\$ 18,825,309	\$ 15,366,885	\$ 13,979,108
Property Taxes	2,983,706	3,107,290	3,497,095	4,042,201	4,442,505	4,659,276	4,875,880	5,106,364
Franchise Taxes	224,516	258,528	254,675	227,038	746,815	1,733,704	1,921,624	1,687,909
Impact Fees	-	-	-	-	185,562	10,674	97,045	318,232
State Revenue Sharing	4,463,510	3,781,523	3,855,258	4,390,884	6,066,778	7,519,909	7,979,307	6,899,020
State Sales Tax Revenue Sharing	3,279,879	3,528,252	3,885,149	4,520,559	5,078,851	4,910,888	4,251,458	3,921,350
Auto Lieu Tax Revenue Sharing	2,308,162	2,389,482	2,620,537	3,008,101	3,244,184	3,102,207	2,840,324	2,665,669
Investment Earnings (Loss)	(371,813)	480,411	621,096	1,066,812	1,198,654	1,193,238	467,629	253,403
Other	90,871	36,861	17,325	71,692	18,705	14,912	12,590	16,124
Transfers	(11,983,144)	(3,436,818)	(4,564,265)	(1,721,662)	(1,746,031)	561,289	(3,900,988)	(1,877,395)
Total Governmental Activities	18,450,802	29,200,689	30,745,313	38,486,193	40,788,600	42,531,406	33,911,754	32,969,784
Business-type activities:								
Property Taxes	2,149,954	2,052,192	1,992,909	2,034,044	2,111,867	2,156,284	2,134,068	3,237,149
Investment Earnings (Loss)	(166,709)	336,066	696,468	3,438,833	3,757,572	2,285,859	715,319	200,593
Transfers	11,983,144	3,436,818	4,564,265	1,721,662	1,746,031	(561,289)	3,900,988	1,877,395
Total Business-type Activities	13,966,389	5,825,076	7,253,642	7,194,539	7,615,470	3,880,854	6,750,375	5,315,137
Total Primary Government	<u>\$ 32,417,191</u>	<u>\$ 35,025,765</u>	<u>\$ 37,998,955</u>	<u>\$ 45,680,732</u>	<u>\$ 48,404,070</u>	<u>\$ 46,412,260</u>	<u>\$ 40,662,129</u>	<u>\$ 38,284,921</u>
<b>Change in Net Assets</b>								
Governmental Activities	\$ (3,359,592)	\$ 7,864,665	\$ 2,945,408	\$ 11,322,942	\$ 25,328,341	\$ 8,888,898	\$ (361,391)	\$ 1,216,364
Business-type Activities	18,621,795	11,216,949	14,192,379	15,608,712	16,455,241	12,170,363	11,208,739	17,541,357
Total Primary Government	<u>\$ 15,262,203</u>	<u>\$ 19,081,614</u>	<u>\$ 17,137,787</u>	<u>\$ 26,931,654</u>	<u>\$ 41,783,582</u>	<u>\$ 21,059,261</u>	<u>\$ 10,847,348</u>	<u>\$ 18,757,721</u>

Note: Fiscal year 2002-03 was the City's first year to prepare government-wide financial statements.

**LAKE HAVASU CITY, ARIZONA  
PROGRAM REVENUES BY FUNCTION/PROGRAM  
LAST EIGHT FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Function/Program</b>								
Governmental Activities:								
General Government	\$ 4,928,269	\$ 4,990,776	\$ 5,112,021	\$ 6,051,764	\$ 5,442,971	\$ 6,070,080	\$ 4,553,454	\$ 4,369,104
Public Safety	442,252	254,668	475,607	416,702	1,467,555	667,438	545,061	1,033,934
Highways and Streets	4,662,669	5,441,918	5,408,483	6,038,682	22,362,852	10,788,458	10,370,964	7,734,943
Culture and Recreation	562,044	4,212,127	656,829	647,903	1,057,891	697,866	1,188,244	654,545
Transportation Services	836,858	1,087,602	1,004,692	1,010,483	1,083,060	1,983,166	1,093,044	1,328,218
Interest on Long-term Debt	66,728	41,746	80,978	-	16,040	29,091	3,201	7,308
Subtotal Governmental Activities	11,498,820	16,028,837	12,738,610	14,165,534	31,430,369	20,236,099	17,753,968	15,128,052
Business-type Activities:								
Refuse	744,172	847,270	917,215	967,991	1,064,929	1,269,783	1,180,596	1,193,935
Recreation/Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782	501,550	349,804
Irrigation and Drainage	10,670,135	12,435,438	13,253,505	14,230,160	12,752,737	11,591,238	12,469,059	11,750,407
Wastewater	5,962,794	7,651,686	10,519,987	12,107,493	17,636,027	22,055,956	19,416,038	26,728,765
Airport	1,532,291	1,509,855	1,740,358	3,098,081	562,360	1,053,256	1,198,748	1,181,518
Subtotal Business-type Activities	19,321,742	22,901,468	26,853,344	30,832,947	32,513,895	36,404,015	34,765,991	41,204,429
Total Primary Government	<u>\$ 30,820,562</u>	<u>\$ 38,930,305</u>	<u>\$ 39,591,954</u>	<u>\$ 44,998,481</u>	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,481</u>

Note: Fiscal year 2002-03 was the City's first year to prepare government-wide financial statements.

**LAKE HAVASU CITY, ARIZONA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 282,975	\$ 151,463	\$ 241,494	\$ 212,631	\$ 236,978	\$ 221,242	\$ 239,771	\$ 289,716	\$ 245,625	\$ 510,785
Unreserved	<u>23,496,889</u>	<u>23,597,461</u>	<u>17,013,903</u>	<u>16,517,487</u>	<u>16,177,818</u>	<u>19,382,601</u>	<u>22,381,025</u>	<u>15,770,483</u>	<u>10,941,973</u>	<u>12,028,929</u>
Total General Fund	<u>\$ 23,779,864</u>	<u>\$ 23,748,924</u>	<u>\$ 17,255,397</u>	<u>\$ 16,730,118</u>	<u>\$ 16,414,796</u>	<u>\$ 19,603,843</u>	<u>\$ 22,620,796</u>	<u>\$ 16,060,199</u>	<u>\$ 11,187,598</u>	<u>\$ 12,539,714</u>
 All Other Governmental Funds										
Reserved	\$ 120,341	\$ 105,021	\$ 1,461,901	\$ 1,165,554	\$ 1,031,329	\$ 866,633	\$ 777,537	\$ 260,745	\$ 161,487	\$ 161,447
Unreserved, Reported in:										
Special Revenue Funds	3,302,936	2,468,180	1,551,618	458,524	1,410,111	2,016,653	2,023,123	1,337,693	1,307,293	2,951,892
Debt Service Funds	1,478,542	1,398,007	-	-	-	-	-	-	-	-
Capital Projects Funds	<u>712,782</u>	<u>952,809</u>	<u>2,246,238</u>	<u>4,252,007</u>	<u>4,576,046</u>	<u>7,312,618</u>	<u>6,883,115</u>	<u>5,904,066</u>	<u>6,444,484</u>	<u>9,470,637</u>
Total All Other Governmental Funds	<u>\$ 5,614,601</u>	<u>\$ 4,924,017</u>	<u>\$ 5,259,757</u>	<u>\$ 5,876,085</u>	<u>\$ 7,017,486</u>	<u>\$ 10,195,904</u>	<u>\$ 9,683,775</u>	<u>\$ 7,502,504</u>	<u>\$ 7,913,264</u>	<u>\$ 12,583,976</u>



**LAKE HAVASU CITY, ARIZONA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

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	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 16,198,380	\$ 18,263,634	\$ 20,669,273	\$ 22,452,872	\$ 24,284,788	\$ 27,243,475	\$ 26,745,506	\$ 25,069,101	\$ 22,251,293	\$ 20,752,317
Intergovernmental	15,521,374	16,656,120	16,189,913	20,201,471	17,581,248	19,487,017	25,771,964	28,683,671	26,413,424	24,711,004
Fines and Forfeitures	845,309	897,570	1,054,494	1,209,200	1,159,289	1,373,678	1,501,738	1,491,271	1,369,529	1,486,805
Licenses and Permits	2,237,623	2,620,165	2,943,803	3,054,053	3,063,436	3,925,346	2,913,384	1,961,920	992,742	1,193,690
Charges for Services	888,252	1,016,466	1,040,759	1,079,752	1,055,558	1,131,132	970,168	836,573	711,345	931,886
Rents and Royalties	31,451	23,483	23,485	17,170	28,875	28,006	22,958	27,732	58,785	51,889
Contributions and Donations	14,418	28,805	19,537	12,695	21,680	15,034	11,921	6,910	11,018	6,939
Impact Fees	-	-	-	-	-	-	185,562	10,674	97,045	318,232
Special Assessments	217,207	28,803	119,374	124,514	181,027	155,733	106,040	124,318	131,602	68,996
Investment Earnings (Loss)	1,568,684	848,109	(364,958)	404,262	500,624	910,746	960,145	801,582	325,534	212,547
Other	143,051	993,743	349,564	112,007	108,490	124,865	246,128	418,251	436,488	224,576
Total Revenues	<u>37,665,749</u>	<u>41,376,898</u>	<u>42,045,244</u>	<u>48,667,996</u>	<u>47,985,015</u>	<u>54,395,032</u>	<u>59,435,514</u>	<u>59,432,003</u>	<u>52,798,805</u>	<u>49,958,881</u>
<b>Expenditures</b>										
General Government	6,071,175	6,302,401	7,035,908	8,141,073	8,270,651	9,096,156	10,184,269	12,752,567	10,778,205	9,320,011
Public Safety	10,360,617	12,128,366	12,725,332	14,283,381	16,727,791	18,909,689	22,896,305	24,966,721	24,280,422	20,448,619
Highways and Streets	4,589,165	4,379,122	4,646,201	4,990,748	6,501,669	5,628,498	6,936,589	6,668,408	5,203,661	3,821,793
Culture and Recreation	2,278,113	2,898,241	3,014,259	3,585,349	4,530,472	4,637,482	5,490,982	6,075,524	5,307,096	4,038,440
Health and Welfare	146,139	138,832	-	-	-	-	-	-	-	-
Transportation Services	947,886	1,190,852	1,414,090	1,950,290	1,666,808	1,775,815	1,865,392	2,951,865	1,919,213	1,605,268
Tourism and Promotion	1,107,109	1,184,846	1,201,211	1,264,259	1,397,567	1,528,433	1,577,026	1,582,324	1,356,589	1,356,746
Capital Outlay	9,781,342	8,474,142	2,399,915	7,582,000	6,737,122	2,838,789	5,935,886	11,727,752	4,147,830	1,187,425
Debt Service										
Principal Retirement	2,580,000	2,710,000	2,906,000	2,700,000	3,235,000	3,375,000	3,480,000	3,605,000	240,000	165,000
Interest on Long-term Debt	1,128,104	1,050,603	903,514	732,398	581,320	450,892	314,557	192,875	126,647	115,351
Total Expenditures	<u>38,989,650</u>	<u>40,457,405</u>	<u>36,246,430</u>	<u>45,229,498</u>	<u>49,648,400</u>	<u>48,240,754</u>	<u>58,681,006</u>	<u>70,523,036</u>	<u>53,359,663</u>	<u>42,058,653</u>
Excess of Revenues over (under) Expenditures	(1,323,901)	919,493	5,798,814	3,438,498	(1,663,385)	6,154,278	754,508	(11,091,033)	(560,858)	7,900,228

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Other financing sources (uses)</b>										
Transfers In	\$ 12,689,702	\$ 10,607,653	\$ 9,124,156	\$ 9,276,457	\$ 12,402,838	\$ 10,214,298	\$ 8,227,998	\$ 9,977,784	\$ 2,107,983	\$ 2,395,347
Transfers Out	(10,385,351)	(12,159,037)	(21,107,300)	(12,713,275)	(12,815,973)	(11,935,960)	(10,060,429)	(9,416,495)	(6,008,971)	(4,272,742)
Issuance of Debt	922,471	60,781	13,134	89,369	2,902,599	1,934,849	3,582,747	2,615,000	-	-
Total Other Financing Sources (uses)	3,226,822	(1,490,603)	(11,970,010)	(3,347,449)	2,489,464	213,187	1,750,316	3,176,289	(3,900,988)	(1,877,395)
Net Change in Fund Balance	<u>\$ 1,902,921</u>	<u>\$ (571,110)</u>	<u>\$ (6,171,196)</u>	<u>\$ 91,049</u>	<u>\$ 826,079</u>	<u>\$ 6,367,465</u>	<u>\$ 2,504,824</u>	<u>\$ (7,914,744)</u>	<u>\$ (4,461,846)</u>	<u>\$ 6,022,833</u>
Debt Service as a Percentage of Noncapital Expenditures	12.7%	11.8%	8.6%	22.4%	12.5%	11.1%	44.6%	29.5%	17.8%	4.1%

Note: Proceeds from sale of capital assets are classified as miscellaneous revenues and are included in the Other revenue total.

**LAKE HAVASU CITY, ARIZONA  
GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Transient Occupancy Tax</u>	<u>Bar and Restaurant Tax</u>	<u>Total</u>
2001	\$ 12,258,299	\$ 2,556,264	\$ 272,960	\$ 531,633	\$ 579,224	\$ 16,198,380
2002	14,069,249	2,782,023	261,488	549,781	601,093	18,263,634
2003	16,240,531	2,989,642	224,516	575,556	639,028	20,669,273
2004	17,767,870	3,139,184	258,528	634,257	653,033	22,452,872
2005	19,112,838	3,471,670	254,675	656,110	789,495	24,284,788
2006	21,337,895	4,135,869	227,038	699,405	843,268	27,243,475
2007	19,945,157	4,446,114	746,815	751,122	856,298	26,745,506
2008	17,305,120	4,510,088	1,733,704	645,782	874,407	25,069,101
2009	14,030,536	4,962,784	1,921,624	574,442	761,907	22,251,293
2010	12,627,628	5,085,300	1,687,909	557,900	793,580	20,752,317
Change, 2001-2010	3.0%	98.9%	518.4%	4.9%	37.0%	28.1%

Source: Lake Havasu City, Arizona's Finance Department.

# LAKE HAVASU CITY, ARIZONA TAXABLE SALES BY CATEGORY LAST TEN FISCAL YEARS

Sales Category	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mining	\$ 10,000	\$ -	\$ 39,000	\$ -	\$ 621,000	\$ 2,649,142	\$ 1,637,109	\$ 2,238,146	\$ 1,502,091	\$ 957,338
Communications & Utilities	N/A	N/A	N/A	N/A	89,352,250	107,586,616	85,848,353	43,192,822	45,438,961	43,187,392
Transporation & Warehousing	N/A	N/A	N/A	N/A	828,450	1,297,067	1,719,521	1,370,195	825,406	610,037
Construction	105,551,550	129,160,550	163,485,100	189,835,700	187,626,750	210,074,556	203,114,606	174,759,818	104,429,178	59,267,145
Manufacturing	4,796,900	5,662,700	8,502,250	16,662,850	38,247,150	40,484,661	38,529,152	32,292,739	27,051,299	25,263,121
Wholesale Trade	20,284,800	19,769,900	25,142,200	15,321,750	11,458,300	16,112,220	16,468,758	18,348,808	12,097,298	10,438,461
Retail Trade	301,723,800	336,565,500	380,034,700	398,373,800	425,905,350	472,769,867	461,287,506	416,971,743	368,990,071	368,767,470
Finance & Insurance	N/A	N/A	N/A	N/A	2,022,000	857,392	1,967,267	2,213,297	1,563,165	1,295,523
Real Estate, Rental & Leasing	N/A	N/A	N/A	N/A	20,303,900	22,929,529	19,808,226	21,511,506	18,474,750	13,903,727
Restaurant & Bars	70,230,600	76,413,050	80,836,700	81,840,100	99,646,950	107,735,614	109,166,457	66,018,944	53,496,452	55,204,958
Hotels & Other Lodging	19,007,600	18,494,200	19,050,950	20,793,450	22,242,450	23,807,000	24,080,294	26,786,943	27,752,236	28,709,923
Public Administration	N/A	N/A	N/A	N/A	70,450	308,237	146,659	310,450	493,218	318,627
Services	53,397,350	62,747,100	58,695,300	48,760,150	33,456,850	34,582,787	35,897,971	32,340,521	27,984,637	23,674,619
Arts & Entertainment	N/A	N/A	N/A	N/A	14,211,950	15,291,189	15,650,494	12,128,912	7,334,109	7,783,062
All Others	8,631,900	10,069,550	17,056,350	62,271,700	28,840,450	30,838,124	27,361,014	18,575,934	12,616,449	11,544,005
Transportation, Communications & Utilities	57,308,700	73,837,300	70,415,050	78,915,700	N/A	N/A	N/A	N/A	N/A	N/A
Fire, Insurance & Real Estate	1,828,650	2,625,500	5,404,600	6,315,800	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$642,771,850</u>	<u>\$735,345,350</u>	<u>\$828,662,200</u>	<u>\$919,091,000</u>	<u>\$974,834,250</u>	<u>\$1,087,324,001</u>	<u>\$1,042,683,387</u>	<u>\$869,060,778</u>	<u>\$710,049,320</u>	<u>\$650,925,408</u>
City Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue

Note: Beginning with reporting for fiscal year 2005, Arizona Department of Revenue implemented a new reporting format for industry classification codes. As such, comparisons of industry classifications for fiscal year 2005 and forward may not be comparable to fiscal year 2004 and prior.

**LAKE HAVASU CITY, ARIZONA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS  
RATES AS OF JUNE 30**

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>City Restaurant and Bar Tax</u>	<u>City Transient Occupancy Tax</u>	<u>(1) Mohave County</u>	<u>(1) State of Arizona</u>
2001	2.00%	1.00%	3.00%	0.25%	5.60%
2002	2.00	1.00	3.00	0.25	5.60
2003	2.00	1.00	3.00	0.25	5.60
2004	2.00	1.00	3.00	0.25	5.60
2005	2.00	1.00	3.00	0.25	5.60
2006	2.00	1.00	3.00	0.25	5.60
2007	2.00	1.00	3.00	0.25	5.60
2008	2.00	1.00	3.00	0.25	5.60
2009	2.00	1.00	3.00	0.25	5.60
2010	2.00	1.00	3.00	0.25	5.60

(1) For most Business Classifications. Shown here is the retail rate.

Source: Arizona Department of Revenue

**LAKE HAVASU CITY, ARIZONA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Fiscal Year		Real Property		Personal Property		Total			Ratio of Total Assessed Value to Total Estimated Actual Value	
		Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Direct Tax Rate		
121	2001	P	\$ 285,231,433	\$ 2,333,010,196	\$ 11,816,518	\$ 60,137,976	\$ 297,047,951	\$ 2,393,148,172	0.8423	12.41%
		S	291,734,022	2,361,941,827	11,816,518	60,137,976	303,550,540	2,422,079,803	-	plus \$ 102.17 per acre
	2002	P	312,993,501	2,553,024,864	9,358,258	50,637,799	322,351,759	2,603,662,663	0.8413	12.38
		S	309,818,437	2,582,613,239	9,358,258	50,637,799	319,176,695	2,633,251,038	-	plus \$ 101.55 per acre
	2003	P	325,840,542	2,848,610,186	10,778,445	56,227,733	336,618,987	2,904,837,919	0.8413	11.59
		S	332,033,998	2,888,473,152	10,778,445	56,227,733	342,812,443	2,944,700,885	-	plus \$ 101.11 per acre
	2004	P	360,067,071	3,222,522,010	11,291,589	59,052,690	371,358,660	3,281,574,700	0.7958	11.32
		S	367,828,704	3,495,046,718	11,291,589	59,052,690	379,120,293	3,554,099,408	-	plus \$ 100.77 per acre
	2005	P	404,042,223	3,766,661,010	11,251,148	58,514,070	415,293,371	3,825,175,080	0.7958	10.86
		S	439,586,745	4,592,640,988	11,251,148	58,514,070	450,837,893	4,651,155,058	-	plus \$ 100.74 per acre
	2006	P	469,199,441	4,501,675,755	12,485,845	63,701,806	481,685,286	4,565,377,561	0.7958	10.55
		S	572,701,653	6,001,328,492	12,485,845	63,701,806	585,187,498	6,065,030,298	-	plus \$ 100.74 per acre
	2007	P	554,952,080	4,489,089,206	15,071,124	72,940,245	570,023,204	4,562,029,451	0.7310	100.12
		S	735,930,709	5,989,310,731	15,071,124	72,940,245	751,001,833	6,062,250,976	-	plus \$ 100.74 per acre
	2008	P	658,147,759	5,340,068,133	11,375,884	57,452,096	669,523,643	5,397,520,229	0.6704	12.40
		S	918,338,959	7,419,032,491	11,375,884	57,452,096	929,714,843	7,476,484,587	-	plus \$ 100.74 per acre
	2009	P	760,861,319	6,233,527,611	16,515,213	86,520,314	777,376,532	6,320,047,925	0.6038	12.30
		S	1,021,911,138	8,397,863,760	16,515,213	86,520,314	1,038,426,351	8,484,384,074	-	plus \$ 100.74 per acre
2010	P	825,515,085	6,795,625,244	16,137,850	85,087,121	841,652,935	6,880,712,365	0.5834	12.23	
	S	911,190,948	7,429,703,446	16,137,850	85,087,121	927,328,798	7,514,790,567	-	plus \$ 156.78 per acre	

**LAKE HAVASU CITY, ARIZONA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

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Fiscal Year		City Direct Rate			Special Districts							Overlapping Rates			Rate Total
		Operating Rate	Debt Service Rate	Total City Rate	Irrigation Drainage District	Sanitary District	Improvement District #1	Improvement District #2	Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate	
2001	P	0.8423	-	0.8423	-	-	-	-	-	-	-	2.6917	3.8359	0.5165	7.8864
	S	-	-	-	\$ 102.17/acre	1.3400	0.1986	2.0365	1.7088	0.2595	0.2323	0.9853	1.1386	-	7.8996 plus \$ 102.17/acre
2002	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.1564	0.4974	8.1849
	S	-	-	-	\$ 101.55/acre	1.2480	0.4520	2.1628	1.5816	0.3060	-	1.0103	1.5060	-	8.2667 plus \$ 101.55/acre
2003	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.3377	0.4889	8.3577
	S	-	-	-	\$ 101.11/acre	-	0.5538	1.4600	3.1579	0.1243	-	1.0103	1.0535	-	7.3598 plus \$ 101.11/acre
2004	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6973	5.2253	0.4717	9.1901
	S	-	-	-	\$ 100.77/acre	-	0.4998	1.4001	3.4221	0.3969	-	1.0103	1.3034	-	8.0326 plus \$ 100.77/acre
2005	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6983	4.3420	0.4560	8.2921
	S	-	-	-	\$ 100.74/acre	-	0.5491	1.2822	3.0983	0.4051	-	1.0103	0.9646	-	7.3096 plus \$ 100.74/acre
2006	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6904	3.4288	0.4358	7.3508
	S	-	-	-	\$ 100.74/acre	-	0.4595	1.0855	1.9907	0.3536	-	1.0103	1.2740	-	6.1736 plus \$ 100.74/acre
2007	P	0.7310	-	0.7310	-	-	-	-	-	-	-	2.5759	3.3079	-	6.6148
	S	-	-	-	\$ 100.74/acre	-	0.5360	1.1091	1.9907	0.3538	-	1.0103	0.8625	-	5.8624 plus \$ 100.74/acre
2008	P	0.6704	-	0.6704	-	-	-	-	-	-	-	2.3519	3.0141	-	6.0364
	S	-	-	-	\$ 100.74/acre	-	0.3216	0.4672	-	0.2788	-	1.0103	0.8567	-	2.9346 plus \$ 100.74/acre
2009	P	0.6038	-	0.6038	-	-	-	-	-	-	-	1.3309	2.8005	-	4.7352
	S	-	-	-	\$ 100.74/acre	-	0.3113	0.5425	-	0.2840	-	1.0103	0.7547	-	2.9028 plus \$ 100.74/acre
2010	P	0.5834	-	0.5834	-	-	-	-	-	-	-	1.2637	2.7367	0.3306	4.9144
	S	-	-	-	\$ 156.78/acre	-	0.4769	0.4661	-	0.3153	-	1.0103	0.8410	-	3.1096 plus \$ 156.78/acre

**LAKE HAVASU CITY, ARIZONA  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2010  
CURRENT AND FOUR YEARS AGO**

Taxpayer	2010			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 8,977,440	1	1.26%	\$ 8,212,498	2	1.40%
Shops at Lake Havasu City LLC	8,034,495	2	1.13%			
PHC Lake Havasu Inc	6,382,916	3	0.90%	9,194,016	1	1.57%
Citizens Rural Division	4,843,370	4	0.68%			
Sterilite Corporation	2,123,785	5	0.30%	2,303,118	4	0.39%
Walmart Stores Inc	2,089,273	6	0.29%	1,503,854	8	0.26%
Havasu Regional Medical Center LLC	1,713,794	7	0.24%			
London Bridge Resort	1,693,394	8	0.24%	2,009,951	5	0.34%
Grace Investment Co	1,650,692	9	0.23%	1,874,177	6	0.32%
KKO Development	1,637,465	10	0.23%			
Citizens Utilities				4,300,792	3	0.73%
Lake Havasu City Hotel Partners LLC				1,663,296	7	0.28%
Havasu Mart Long Heine LLC				1,352,836	9	0.23%
Palo Verde Investments LLC				1,254,069	10	0.21%
TOTALS	<u>\$ 39,146,624</u>		5.50%	<u>\$ 33,668,607</u>		5.73%

NOTE: 2001 principal property taxpayers data not available for ten year comparison; 2006 earliest information available.

Net Assessed Value \$ 712,368,524

\$ 587,491,466

Source: Abstract for the County of Mohave



**LAKE HAVASU CITY, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 2,495,787	\$2,388,203	95.69%	\$ 98,080	\$ 2,486,283	99.62%
2002	2,612,562	2,516,381	96.32	96,010	2,612,391	99.99
2003	2,828,532	2,705,073	95.64	123,041	2,828,114	99.99
2004	2,947,808	2,889,381	98.02	58,288	2,947,669	100.00
2005	3,310,822	3,183,551	96.16	127,150	3,310,701	100.00
2006	3,836,092	3,750,741	97.78	85,193	3,835,934	100.00
2007	4,152,650	4,031,318	97.08	121,258	4,152,576	100.00
2008	4,506,372	4,302,624	95.48	203,274	4,505,898	99.99
2009	4,676,208	4,510,022	96.45	160,255	4,670,277	99.87
2010	4,893,418	4,701,200	96.07	-	4,701,200	96.07

(1) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA  
IRRIGATION AND DRAINAGE DISTRICT (1)  
PROPERTY TAX LEVIES AND COLLECTIONS (2)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 2,091,204	\$ 1,963,683	93.90%	\$ 127,519	\$ 2,091,202	100.00%
2002	2,076,365	1,994,409	96.05	81,906	2,076,315	100.00
2003	2,075,813	2,004,113	96.55	71,700	2,075,813	100.00
2004	2,060,775	2,012,055	97.64	48,720	2,060,775	100.00
2005	2,059,030	1,966,752	95.52	92,278	2,059,030	100.00
2006	2,062,197	2,009,295	97.43	52,902	2,062,197	100.00
2007	2,103,046	2,027,101	96.39	75,895	2,102,996	100.00
2008	2,122,847	1,993,102	93.89	129,380	2,122,482	99.98
2009	2,124,709	2,037,986	95.92	84,786	2,122,772	99.91
2010	3,308,681	3,167,426	95.73	-	3,167,426	95.73

(1) Lake Havasu Irrigation and Drainage District was organized on September 30, 1963. The District was to be dissolved in fiscal year 2004 upon the retirement of all outstanding obligations of the District. However, on February 1, 1993, \$4,120,000 in general obligation refunding bonds were issued. The District will be dissolved in fiscal year 2022 upon the retirement of all outstanding obligations of the District.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA  
SANITARY DISTRICT (1)  
PROPERTY TAX LEVIES AND COLLECTIONS (2)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 1,635,835	\$1,553,091	94.94%	\$ 68,058	\$ 1,621,149	99.10%
2002	1,586,236	1,513,807	95.43	60,260	1,574,067	99.23
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-

(1) Lake Havasu Sanitary District was formed on October 28, 1964. The District was to be dissolved in fiscal year 1996 upon retirement of all outstanding obligations of the District. However, on May 23, 1990, \$160,000 in general obligation refunding bonds were issued. The outstanding general obligation bonds of the District were retired in fiscal year 2003. The District was officially dissolved September 26, 2006.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 1 - SPECIAL ASSESSMENT (1)  
PROPERTY TAX LEVIES AND COLLECTIONS (2)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 25,010	\$ 24,217	96.83%	\$ 787	\$ 25,004	99.98%
2002	59,922	58,429	97.51	1,493	59,922	100.00
2003	79,997	77,612	97.02	2,385	79,997	100.00
2004	80,167	78,949	98.48	1,218	80,167	100.00
2005	102,919	99,899	97.07	3,020	102,919	100.00
2006	102,661	100,719	98.11	1,942	102,661	100.00
2007	149,059	145,447	97.58	3,612	149,059	100.00
2008	109,984	105,526	95.95	4,458	109,984	100.00
2009	109,338	107,041	97.90	2,297	109,338	100.00
2010	149,612	145,722	97.40	-	145,722	97.40

(1) On July 1, 1998, the operation and maintenance of the Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 1 operates the gas lights in the golf course area tracts. This Improvement District was dissolved on April 13, 2010.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA**  
**IMPROVEMENT DISTRICT NO. 2 - SPECIAL ASSESSMENT (1)**  
**PROPERTY TAX LEVIES AND COLLECTIONS (2)**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 33,938	\$ 32,177	94.81%	\$ 1,761	\$ 33,938	100.00%
2002	34,917	34,362	98.41	555	34,917	100.00
2003	23,466	22,474	95.77	992	23,466	100.00
2004	23,455	22,888	97.58	567	23,455	100.00
2005	22,997	20,448	88.92	2,549	22,997	100.00
2006	22,993	20,939	91.07	2,054	22,993	100.00
2007	36,939	33,293	90.13	3,646	36,939	100.00
2008	18,035	16,472	91.33	1,563	18,035	100.00
2009	16,710	14,902	89.18	1,808	16,710	100.00
2010	15,006	14,057	93.68	-	14,057	93.68

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 2 maintains and operates the parking lot, utilities, landscaping and related capital improvements in the London Bridge Shopping Center.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 3 - SPECIAL ASSESSMENT (1)  
PROPERTY TAX LEVIES AND COLLECTIONS (2)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 9,957	\$ 9,646	96.88%	\$ 238	\$ 9,884	99.27%
2002	10,389	10,056	96.79	314	10,370	99.82
2003	21,130	20,881	98.82	249	21,130	100.00
2004	23,469	23,035	98.15	434	23,469	100.00
2005	22,172	20,749	93.58	1,423	22,172	100.00
2006	23,455	22,771	97.08	684	23,455	100.00
2007	27,935	26,511	94.90	1,424	27,935	100.00
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 3 was established for the purpose of maintaining and operating the gas lights and landscape strips in the Lakeview Mobile Home Park. This improvement District was dissolved on January 8, 2008.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 4 - SPECIAL ASSESSMENT (1)  
PROPERTY TAX LEVIES AND COLLECTIONS (2)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 30,766	\$ 30,148	97.99%	\$ 618	\$ 30,766	100.00%
2002	38,683	37,414	96.72	1,269	38,683	100.00
2003	17,252	15,433	89.46	1,818	17,251	99.99
2004	60,780	59,605	98.07	1,165	60,770	99.98
2005	61,523	59,981	97.49	1,526	61,507	99.97
2006	61,716	61,420	99.52	296	61,716	100.00
2007	64,323	63,878	99.31	445	64,323	100.00
2008	55,294	53,644	97.02	1,650	55,294	100.00
2009	55,613	55,053	98.99	535	55,588	99.96
2010	55,069	54,003	98.06	-	54,003	98.06

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 4 maintains the gas lights on Civic Center Boulevard and median landscaping on McCulloch Boulevard from Smoketree to Lake Havasu Avenue.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 5 - SPECIAL ASSESSMENT (1)  
PROPERTY TAX LEVIES AND COLLECTIONS (2)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 3,400	\$ 3,190	93.82%	\$ 210	\$ 3,400	100.00%
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 5 was established for the purpose of maintaining gas lights between Smoketree Avenue and Wings Loop on McCulloch Boulevard. This Improvement District was dissolved on June 30, 2001.

(2) Mohave County is responsible for assessing and collecting property taxes.



**LAKE HAVASU CITY, ARIZONA**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

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Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Special Assessment Bonds	Revenue Bonds	Capital Leases	Sewer Bonds	Irrigation and Drainage District	General Obligation Bonds	Capital Leases			
2001	\$ 891,000	\$ 21,545,000	\$ 67,939	\$ -	\$ -	\$ 680,000	\$ 3,971,657	\$ 27,155,596	3.21%	\$ 648
2002	891,000	18,835,000	86,326	-	-	535,000	3,070,490	23,417,816	2.50	530
2003	850,000	15,970,000	49,408	8,549,414	-	370,000	9,151	25,797,973	2.65	556
2004	775,000	13,345,000	113,006	32,142,869	-	235,000	14,907	46,625,782	4.49	953
2005	695,000	10,190,000	2,518,386	61,570,539	-	215,000	595,203	75,784,128	6.88	1,466
2006	610,000	6,900,000	3,768,074	139,685,545 (1)	-	195,000	1,286,112	152,444,731	13.57	2,853
2007	520,000	3,510,000	6,032,598	169,865,746 (1)	1,103,163	175,000	1,995,812	183,202,319	15.68	3,355
2008	425,000	2,615,000	4,485,455	218,411,503 (1)	3,462,247	155,000	1,669,632	231,223,837	19.36	4,184
2009	185,000	2,615,000	3,009,616	243,266,488 (1)	4,582,821	145,000	1,236,248	255,040,173	17.55	4,601
2010	125,000	2,510,000	1,951,828	276,829,369 (1)	5,253,043	135,000	812,444	287,616,684	24.11	5,182

(1) Net of related premium

Note: Balances reflect reduction for principal payment made on July 1, 2010.

**LAKE HAVASU CITY, ARIZONA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2010**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Overlapping Debt</b>			
Lake Havasu Unified School District No. 1	\$ 20,900,000	95.10%	\$ 19,875,900
Total overlapping debt			<u>19,875,900</u>
<b>City Direct Debt</b>			
Lake Havasu City Freedom Bridge Land Acquisition	2,510,000	100.00%	2,510,000
Lake Havasu City McCulloch Boulevard Streetscape Improvement District No. 7 Improvement Bonds	125,000	100.00%	125,000
Lake Havasu City, Arizona Direct Debt			<u>2,635,000</u>
Total Direct and Overlapping Debt			<u>\$ 22,510,900</u>

- (1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lake Havasu City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

# LAKE HAVASU CITY, ARIZONA LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b><u>20% Limitation (1)</u></b>										
Debt Limit	\$ 60,710,108	\$ 63,835,339	\$ 68,562,489	\$ 75,824,059	\$ 90,167,579	\$ 117,037,500	\$ 150,200,367	\$ 185,942,969	\$ 207,685,270	\$ 185,465,760
Total Net Debt Applicable to 20% Limit (Restated to Account for Amount Set Aside for Repayment of Debt)	510,000	370,000	8,742,500	8,722,500	40,634,726	94,688,680	141,365,953	140,113,909	182,493,498	155,003,212
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 60,200,108</u>	<u>\$ 63,465,339</u>	<u>\$ 59,819,989</u>	<u>\$ 67,101,559</u>	<u>\$ 49,532,853</u>	<u>\$ 22,348,820</u>	<u>\$ 8,834,414</u>	<u>\$ 45,829,060</u>	<u>\$ 25,191,772</u>	<u>\$ 30,462,548</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	0.84%	0.58%	12.75%	11.50%	45.07%	80.90%	94.12%	75.35%	87.87%	83.58%
<b><u>6% Limitation (2)</u></b>										
Debt Limit	\$ 18,213,032	\$ 19,150,602	\$ 20,568,747	\$ 22,747,218	\$ 27,050,274	\$ 35,111,250	\$ 45,060,110	\$ 55,782,891	\$ 62,305,581	\$ 55,639,728
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 18,213,032</u>	<u>\$ 19,150,602</u>	<u>\$ 20,568,747</u>	<u>\$ 22,747,218</u>	<u>\$ 27,050,274</u>	<u>\$ 35,111,250</u>	<u>\$ 45,060,110</u>	<u>\$ 55,782,891</u>	<u>\$ 62,305,581</u>	<u>\$ 55,639,728</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-	-	-	-	-	-

(1) Additional bonds amounting to 20% of the assessed valuation of taxable property can be issued for supplying such services as water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the incorporated city or town of land or interest therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency service facilities and streets and transportation facilities.

(2) The Arizona Constitution states that for general municipal purposes a municipality cannot incur a debt exceeding 6% of the assessed valuation of taxable property.

**LAKE HAVASU CITY, ARIZONA  
CALCULATION OF LEGAL DEBT MARGIN  
JUNE 30, 2010**

Net secondary assessed valuation (1)		<u>\$ 927,328,798</u>
<p style="text-align: center;">Water, Sewer, Light, Parks, Open Space Preserves, Parks, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire and Emergency Facilities, and Streets and Transportation Facilities</p> <hr/>		
Debt limit - 20% of secondary net assessed valuation		\$ 185,465,760
Debt applicable to limit		
General obligation bonds outstanding	\$ 169,556,673	
Less amount set aside for repayment of debt	<u>(14,553,461)</u>	
Net debt applicable to limit		<u>155,003,212</u>
20% legal debt margin		<u>30,462,548</u>
<p style="text-align: center;"><u>All other general obligation bonds</u></p> <hr/>		
Debt limit - 6% of secondary net assessed valuation		55,639,728
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>-</u>
All other general obligation bonds debt margin		<u>55,639,728</u>
Total legal debt margin		<u>\$ 86,102,275</u>

(1) Mohave County Assessor's Office.

**LAKE HAVASU CITY, ARIZONA  
PLEDGED-REVENUE COVERAGE  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

Fiscal Year	Municipal Property Corporation Bonds (1)				Excise Tax Revenue Bonds (1)				Special Assessment Bonds			
	Excise Tax (2)	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax (2)	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2001	\$ 24,066,806	\$ 2,400,000	\$ 547,081	8.17	\$ 24,066,806	\$ 35,000	\$ 569,045	39.84	\$ 217,207	\$ -	\$ -	-
2002	26,343,805	2,525,000	419,881	8.95	26,343,805	185,000	562,565	35.24	28,803	-	65,469	0.44
2003	29,196,801	2,675,000	283,531	9.87	29,196,801	190,000	555,720	39.15	119,374	41,000	61,613	1.16
2004	30,628,188	2,425,000	136,406	11.96	30,628,188	200,000	548,500	40.92	124,514	75,000	41,641	1.07
2005	-	-	-	-	32,521,575	3,155,000	540,700	8.80	181,027	80,000	37,669	1.54
2006	-	-	-	-	36,991,755	3,290,000	414,500	9.99	155,733	85,000	33,441	1.31
2007	-	-	-	-	37,021,321	3,390,000	282,900	10.08	106,040	90,000	28,956	0.89
2008	-	-	-	-	34,612,756	3,510,000	143,910	9.47	124,319	95,000	24,216	1.04
2009	-	-	-	-	29,875,827	-	110,005	271.59	131,602	240,000	15,631	0.51
2010	-	-	-	-	27,395,795	105,000	106,675	129.42	68,996	60,000	7,944	1.02

(1) Includes debt service payments paid out of revenue from IDD (Water) and Airport.

(2) Excise Tax revenues are pledged for both Municipal Property Corporation Bonds and Excise Tax Bonds.

**LAKE HAVASU CITY, ARIZONA  
PLEDGED-REVENUE COVERAGE  
ENTERPRISE FUNDS  
LAST TEN FISCAL YEARS**

Fiscal Year	Sewer Revenue Bonds						Water Revenue Bonds					
	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2001	\$ 3,625,269	\$ 2,850,383	\$ 774,886	\$ 850,000	\$ 314,218	0.67	\$ 9,114,145	\$ 5,141,504	\$ 3,972,641	\$ 150,000	\$ 41,130	20.79
2002	3,297,596	3,198,068	99,528	905,000	260,318	0.09	9,011,458	6,004,762	3,006,696	145,000	32,285	16.96
2003	5,575,694	3,253,324	2,322,370	3,090,000	102,096	0.73	9,454,625	6,002,888	3,451,737	140,000	23,605	21.10
2004	7,837,338	4,182,008	3,655,330	-	411,938	8.87	11,247,609	6,413,094	4,834,515	135,000	15,100	32.21
2005	10,965,873	3,674,565	7,291,308	5,765,000	993,746	1.08	12,044,926	7,719,678	4,325,248	20,000	13,800	127.97
2006	15,055,202	4,323,846	10,731,356	715,547	4,431,556	2.08	12,594,163	8,257,603	4,336,560	20,000	12,500	133.43
2007	20,593,753	4,028,938	16,564,815	5,722,568	5,243,928	1.51	12,876,316	8,597,673	4,278,643	20,000	11,200	137.14
2008	23,703,017	6,955,929	16,747,088	7,540,749	6,309,330	1.21	11,841,750	10,025,454	1,816,296	20,000	61,578	22.26
2009	19,916,120	7,272,649	12,643,471	10,165,631	7,731,240	0.71	10,917,741	9,632,388	1,285,353	211,475	130,486	3.76
2010	26,810,286	6,710,135	20,100,151	7,369,121	8,677,270	1.25	11,081,387	7,890,122	3,191,265	218,535	169,680	8.22

(1) Includes investment income.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
Bond covenants may include other revenue for purposes of debt service coverage.

**LAKE HAVASU CITY, ARIZONA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2001	41,938	\$ 847,106,000	\$ 20,199	47.5	5,841	4.4%
2002	44,200	935,449,000	21,164	47.5	5,889	5.9
2003	46,400	972,219,000	20,953	48.0	6,345	5.2
2004	48,945	1,039,543,000	21,239	48.5	6,545	4.5
2005	51,700	1,102,037,000	21,316	48.3	6,549	4.2
2006	53,435	1,123,471,000	21,025	48.3	6,453	4.3
2007	54,610	1,168,053,000	21,389	47.9	6,463	4.3
2008	55,263	1,194,068,000	21,607	48.0	6,227	6.6
2009	55,429	1,453,293,000	26,219	47.7	6,175	9.8
2010	55,502	1,192,960,000	21,494	47.8	6,163	8.1

(1) Fiscal year 2001 from the U.S. Census.  
All other years from the Arizona Economic Estimates Commission.

(2) Demographics Now

(3) Demographics Now

(4) Lake Havasu Unified School District No. 1

(5) Arizona Department of Economic Security's Workforce Informer.

**LAKE HAVASU CITY, ARIZONA  
PRINCIPAL EMPLOYERS  
JUNE 30, 2010  
CURRENT AND FOUR YEARS AGO**

Employer	2010			2006		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Lake Havasu School District	670	1	2.70%	530	3	2.17%
Lake Havasu City	642	2	2.59%	671	2	2.75%
Havasu Regional Medical Center	615	3	2.48%	695	1	2.85%
Sterillite Corporation	425	4	1.71%	425	4	1.74%
Walmart	300	5	1.21%	259	6	1.06%
Shugrue's Restaurants	200	6	0.81%	250	7	1.03%
Bashas' (2 locations)	186	7	0.75%			
London Bridge Resort	180	8	0.73%	315	5	1.29%
Mohave Community College	169	9	0.68%	183	9	0.75%
River Medical	150	10	0.60%			
Mission of Nevada, Inc.				200	8	0.82%
Bradley Chevrolet & Ford				160	10	0.66%
New Horizons Center				160	10	0.66%
<b>TOTAL</b>	<b>3,537</b>		<b>14.26%</b>	<b>3,848</b>		<b>15.79%</b>

Total Employees in Lake Havasu City

24,808 (1)

24,375 (1)

(1) Arizona Workforce Informer.

Note: 2001 principal employers data not available for comparison, 2006 earliest information available.

Source: Lake Havasu Partnership for Economic Development.



**LAKE HAVASU CITY, ARIZONA  
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Authorized Positions as of Fiscal Year Ended									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	61.00	64.00	65.00	65.00	72.00	77.00	81.00	83.00	83.00	70.00
Community Development	23.00	24.00	26.00	26.00	26.00	30.00	29.00	29.00	29.00	25.00
Public Safety										
Police	96.00	101.00	101.00	101.00	105.00	108.00	123.00	127.00	127.00	123.00
Fire	60.00	70.00	70.00	71.00	75.00	80.00	95.00	95.00	95.00	85.00
Public Works										
Administration/Engineering	19.00	18.00	19.00	19.00	22.00	22.00	22.00	26.00	26.00	22.00
Airport	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Transportation	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	15.00
Highways and Streets	28.00	31.00	31.00	32.00	32.00	32.00	32.00	32.00	32.00	29.50
Vehicle Maintenance	10.00	10.00	10.00	11.00	11.00	12.00	12.00	12.00	12.00	8.50
Wastewater	17.00	19.00	19.00	18.00	20.00	21.50	25.50	25.50	26.00	26.00
Water	32.00	33.00	33.00	40.00	41.00	41.50	42.50	40.50	40.00	39.00
Culture and Recreation	37.00	39.00	39.00	39.00	41.00	41.00	44.00	45.00	45.00	39.00
Total	<u>406.00</u>	<u>432.00</u>	<u>436.00</u>	<u>446.00</u>	<u>469.00</u>	<u>489.00</u>	<u>530.00</u>	<u>539.00</u>	<u>539.00</u>	<u>487.00</u>

Source: Lake Havasu City, Arizona's Administration Services Division.

# LAKE HAVASU CITY, ARIZONA

## OPERATING INDICATORS BY FUNCTION

### LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Police</u>										
Number of Sworn Officers	75	75	75	79	83	95	96	96	92	91
Number of Incidents Handled	50,133	52,793	57,969	58,552	60,610	60,440	59,951	76,759	77,014	67,189
Number of Report Numbers Issued	11,012	8,527	8,495	9,394	9,893	10,316	9,612	8,740	8,637	7,441
Response Time, Priority 1 Calls (Minutes)	6:18	5:51	6:17	6:04	6:10	6:10	5:54	5:26	5:17	5:32
<u>Fire</u>										
Number of Field Suppression Personnel	42	54	55	55	58	60	72	78	72	69
Number of Structural Fires	48	82	55	65	62	68	43	53	41	36
Number of Emergency Responses	4,622	5,124	5,276	5,603	5,719	6,234	6,113	6,457	6,996	7,311
Response Time (Minutes)	6:19	6:23	5:24	5:20	5:25	5:16	5:14	5:34	5:26	5:24
Inspections	3,206	3,432	3,999	4,041	4,452	4,224	4,496	4,924	5,443	4,418
<u>Highways and streets</u>										
Street Resurfacing (Miles)	53.00	51.00	37.00	32.00	27.00	23.00	51.50	31.50	11.50	5.00
Utility Patches	693	778	843	777	731	699	645	494	468	269
Skin Patches	357	308	240	280	511	526	187	270	178	98
Crackfilling (Miles)	49.85	46.10	32.42	40.12	18.43	41.05	30.00	35.50	18.00	13.00
<u>Wastewater</u>										
Connections	2,628	2,757	3,450	4,891	7,394	8,991	11,983	16,112	18,320	19,014
Average Daily Flowage (mg)	1.69	1.60	1.74	2.12	1.99	2.33	2.50	3.08	3.03	3.38
<u>Municipal Parks</u>										
Park Uses	1,446	1,826	2,308	2,575	3,055	3,849	3,025	3,969	3,684	2,587
<u>Water</u>										
Miles of Line	488	492	494	496	498	500	500	500	500	500
New Connections	1,134	911	946	1,435	1,255	889	308	388	216	245
Main Breaks	51	54	56	64	47	49	47	52	57	60
Service Line Leaks	546	801	874	925	798	915	723	612	510	366
Average Daily Consumption (Gallons) per Capita	277	283	268	259	246	240	230	250	250	250
<u>Airport</u>										
Based Aircraft	218	238	226	230	240	243	240	234	180	180
Operations	n/a	49,600	49,853	49,733	51,996	53,892	55,844	51,900	60,000	60,000
Fuel Flowage	413,234	453,095	436,541	359,881	368,822	314,501	502,137	536,175	627,628	704,175
<u>Transit</u>										
Total Ridership	105,646	115,676	135,299	143,873	138,112	137,658	82,803	82,955	115,070	122,500
Miles Driven	408,172	507,114	568,925	595,784	550,925	571,279	448,267	412,270	443,900	438,003
<u>General</u>										
Building Permits Issued	2,256	2,711	3,161	3,284	3,233	2,916	2,124	1,485	894	908
Building Inspections Conducted	14,585	19,828	29,623	29,222	28,532	26,658	19,513	15,687	10,849	7,486
Land Use Actions	463	507	469	617	491	405	333	370	229	210

Source: Lake Havasu City, Arizona departments.

**LAKE HAVASU CITY, ARIZONA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Public Safety</u>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Cars	28	28	28	28	30	32	38	34	37	37
Boats	2	4	4	4	4	4	4	4	4	4
Quads	6	6	6	6	6	6	6	6	7	7
Fire:										
Stations	4	4	5	5	5	6	6	6	6	6
Apparatus										
Fire Trucks	9	9	9	9	10	11	12	10	11	11
Vehicles	16	18	20	20	23	22	21	21	27	24
Boats	1	1	1	1	1	1	2	2	1	1
<u>Highways and Streets</u>										
Streets (Miles)	423.0	423.0	423.5	424.0	424.5	425.0	426.0	428.0	428.0	428.0
Streetlights	34	80	80	84	84	84	84	84	84	84
Traffic Signals	10	12	12	12	12	12	12	12	12	12
<u>Culture and Recreation</u>										
Parks Acreage	72.9	77.3	77.3	77.3	77.3	85.0	108.7	123.7	125.0	125.0
Parks Acreage - Sara Park	-	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Parks	6	6	6	6	6	10	14	15	15	15
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Water Launching Facility	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
<u>Water</u>										
Water Mains (Miles)	488.0	492.0	494.0	496.0	498.0	500.0	500.0	500.0	500.0	500.0
Installed Meters	22,988	23,899	24,845	25,339	26,417	27,789	28,097	27,983	27,826	29,304
Fire Hydrants	n/a	n/a	n/a	n/a	n/a	2,645	2,684	2,684	2,695	2,708
Available Acre Feet	25,180	25,180	25,180	25,180	25,180	25,180	25,180	25,180	27,319	21,271
<u>Sewer</u>										
Sanitary Sewers (Miles)	125.0	125.0	146.0	155.0	165.0	175.3	203.4	237.8	267.0	292.4
<u>Transportation</u>										
Transit Buses	17	19	19	19	19	19	15	16	18	19
<u>Airport</u>										
Enclosed Hangars	72	72	72	72	78	78	78	101	78	78
Shade Ports	27	27	27	27	27	27	27	25	16	16

Source: Lake Havasu City, Arizona departments.

**LAKE HAVASU CITY, ARIZONA  
MISCELLANEOUS STATISTICS  
JUNE 30, 2010**

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Date of Incorporation	October 2, 1978
Form of Government	Council Manager
Area	43 square miles
Education	
Number of Schools:	
Public Elementary	6
Public Middle School	1
Public High School	1
Alternative Schools	1
Charter Schools	2
Community College (Mohave)	1
Number of Students	
L.H.C. Unified School District	6,163
Alternative	59
Charter	563
Mohave Community College (5 campus locations in county)	13,000
Employees as of June 30, 2010	
Full-Time	452
Part-Time	190
Elected Officials	7
Total Payroll Fiscal Year 2010	\$ 28,623,385
Elections	
Last Special Election - November 2009	
Number of Registered Voters	31,303
Number of Votes Cast	7,230
Percentage of Registered Voters	23.10%
Recall Election - September 2005	
Number of Registered Voters	25,649
Number of Votes Cast	11,984
Percentage of Registered Voters	46.72%
Last Municipal Election - November 2006	
Number of Registered Voters	26,388
Number of Votes Cast	15,902
Percentage of Registered Voters	60.26%
At the time of incorporation	
Number of Registered Voters	6,053
Active Business Licenses	10,691
Economy:	
Number of Annual Visitors (Estimate by the convention and Visitors Bureau)	750,000
Lake Havasu City Munipal Airport	
Fixed Based Operators	3
Runway Length (in Feet)	8,001

**LAKE HAVASU CITY, ARIZONA  
MISCELLANEOUS STATISTICS  
JUNE 30, 2010**

Population

Census Population Count (Calendar Year)

2009*	55,502
2008*	55,429
2007*	55,263
2006*	54,610
2005*	53,435
2004*	51,700
2003*	48,945
2002*	46,400
2001*	44,200
2000**	41,938
1990**	24,363
1980**	15,926

\*Arizona Department of Economic Security

\*\*United States Census

2000 Census Information:

Age Distribution of Population

1-4 Years	1,957	4.7%
5-17 Years	6,194	14.8%
18-24 Years	2,405	5.7%
25-44 Years	9,054	21.6%
45-64 Years	11,633	27.7%
65+ Years	10,695	25.5%
	<u>41,938</u>	<u>100.0%</u>

Median Age 47.8

Median Household Income	\$	21,494
Per Capita Income (2000)		20,403

2000 Census information available at the following websites:

<http://www.census.gov/census2000/states/az.html>

<http://www.de.state.az.us/links/economic/webpage/index.html>